Annual Report 1998

The strength to endure | *The foresight to prosper*

AGRIUM

CONFIDENCE PATIENCE REWARD

Agrium

Corporate Profile

Agrium is the largest producer of nitrogen fertilizers in North America, and it is also a significant producer of potash and phosphate fertilizers. The Company produces, markets and distributes more than six million tonnes of fertilizer annually from nine plants that are among the most modern and efficient in North America. Four of these are nitrogen plants located in Western Canada, close to abundant supplies of low-cost natural gas, the primary raw material used in the production of nitrogen fertilizers, which gives Agrium a significant competitive advantage. Supporting these production facilities are more than 1.7 million tonnes of storage capacity as well as an extensive distribution network across Western Canada, the Pacific Northwest and Midwest of the United States.

With more than 225 retail farm centres and 2,286 skilled and experienced employees, Agrium is the second-largest independent retailer of fertilizers, seed and chemicals in North America and a major provider of agronomic services in the key agriculture markets of the United States.

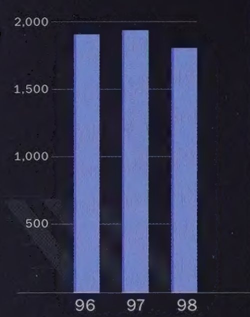
Agrium has also established a presence in Argentina, where it is currently operating 18 retail farm centres and is an equal partner in the construction of a world-class nitrogen fertilizer facility. This facility, with annual production capacity of 1.1 million tonnes of urea, is scheduled to commence production in mid-year 2000 and is located on a deep-water port to enable efficient export to other South American markets including Brazil, Paraguay and Uruguay.

IN THIS REPORT TO SHAREHOLDERS ALL AMOUNTS ARE STATED IN US$ UNLESS OTHERWISE INDICATED

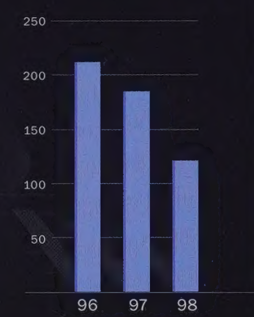
HARVEST ▸ REGENERATE ▸ SEED ▸ NURTURE ▸ HARVEST ▸ REGENER

FINANCIAL HIGHLIGHTS

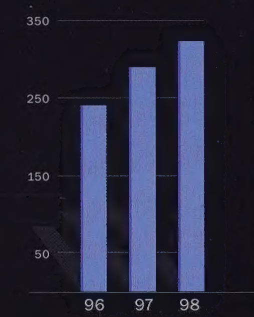
Net Sales
($ millions)



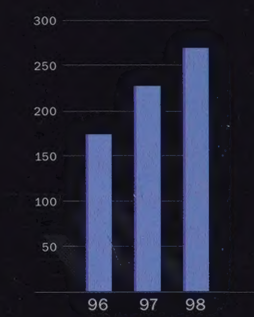
Net Earnings from Continuing Operations
($ millions)



Cash Flow from Continuing Operations
($ millions)



Free Cash Flow*
($ millions)



Cash Flow less sustaining capital

FINANCIAL HIGHLIGHTS

($ millions except per share data)	1998	1997	1996
Net sales	$1,805	$1,938	$1,904
Gross profit	586	694	710
EBITDA*	324	444	470
Earnings from continuing operations	121	185	211
Per common share	0.96	1.43	1.54
Cash provided by continuing operations after net changes in non-cash working capital	324	289	240
Per common share	2.64	2.25	1.74
Working capital	369	338	44
Total assets	1,821	1,711	1,641
Long-term debt	482	483	184
Shareholders' equity	723	631	701
Capital expenditures	174	144	153

**Earnings before interest expense, income taxes, depreciation and amortization*

In the financial highlights (above) and key financial ratios (page 3), 1996 net earnings, cash flow and free cash flow are determined before charges associated with the merger of Agrium Inc. and Viridian Inc., and costs associated with the retirement of Viridian Inc. debt.

Well Positioned in a Growth Industry

- Growing world population
- Increasing demand for agricultural products
- Worldwide shortage of new arable land
- Low world grain inventories

All this translates into a global need for higher yields per acre, achievable with the help of increased use of fertilizer products.

The Agrium Low-Cost Advantage

- Among North America's most modern and efficient facilities
- Phosphate operations enhanced through vertical integration
- Extensive storage and distribution system
- Located in prime regional markets

Agrium's competitive advantages give the Company the ability to prosper during periods of both high and low commodity prices.

Capturing Expansion Opportunities

- Argentina currently imports most of its fertilizer needs
- Huge potential for increased fertilizer consumption
- Transfer of North American expertise to new markets
- Strong partner

Agrium recognizes expansion opportunities in emerging markets, and in 1998 began construction of a world-scale nitrogen plant in Argentina.

Strategies for Growth

- Grow and optimize existing strengths, products and services
- Grow through acquisition and strategic alliances
- Optimize Retail Business Unit
- Develop and sustain a high-performance culture

Agrium is focused on building its business and delivering maximum shareholder value.

Financial Strength

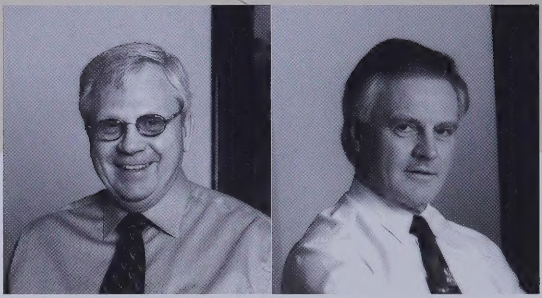
- Strong balance sheet
- Committed to preserving an investment-grade rating
- Emphasis on building shareholder value
- Share buy-back program

Agrium's launch as a public company was based on a commitment to build long-term shareholder value.

Key Financial Ratios

(: 1 *except percentages*)	1998	1997	1996
Current assets to current liabilities	1.97	1.97	1.07
Long-term debt to total assets	0.26	0.28	0.11
Long-term debt to funds flow (*years*)	1.49	1.67	0.77
Total debt to debt + equity	0.41	0.47	0.41
Interest coverage	5.80	7.80	6.71
Return on sales (%)	6.70	9.60	11.08
Return on average invested capital (%)	12.58	18.43	18.35
Return on average common shareholders' equity (%)	19.44	27.78	27.51

TO OUR SHAREHOLDERS



FRANK W. PROTO – CHAIRMAN OF THE BOARD / JOHN M. VAN BRUNT – PRESIDENT AND CHIEF EXECUTIVE OFFICER

Historically low grain prices combined with low fertilizer prices and erratic weather patterns around the globe made 1998 a challenging year in fertilizer markets.

In spite of the most difficult industry conditions in recent years, Agrium recorded 1998 earnings in excess of $120 million. This demonstrates the advantage of being one of North America's lowest-cost nitrogen producers, a result of having the most modern and efficient assets in one of the world's largest markets. These results prove Agrium is capable of generating significant profits even through the bottom of the commodity cycle.

Sales revenue for 1998 totalled $1.8 billion, down seven percent from the previous year, due mainly to the 20 percent decline in the price of nitrogen, Agrium's single largest source of revenue. Earnings were $121 million or $0.96 per share, while cash flow totalled $324 million or $2.64 per share. These results were very close to the targets we established.

Globally, the fertilizer industry continued to experience softer nitrogen prices in 1998, due primarily to China's absence from the market. The near-term outlook for nitrogen price recovery depends on China's return to the market as a buyer, and on whether North American and international companies, currently operating at below cash costs, reduce their production. Nonetheless, as demand for nitrogen continues to grow we are confident that the market will return to equilibrium within two years. Agrium's efficient, low-cost operations have enabled us to weather the current lower commodity prices and position us well to maximize our opportunities when nitrogen prices rebound.

It is this commitment to our strategy, combined with 68 years of experience, that has enabled Agrium to deliver positive results in 1998. Simply put, Agrium has the strength to endure and the foresight to prosper in cyclical markets.

VISION FOR GROWTH

A TOP TIER GLOBAL COMPANY SPECIALIZING IN DIVERSIFIED AGRICULTURAL PRODUCTS AND SERVICES IN A MANNER THAT MAXIMIZES GROWTH IN SHAREHOLDER VALUE.

Agrium's relative strength in the industry positions us well to pursue select opportunities that can broaden our reach throughout North America.

On a global level, the fertilizer industry has potential for significant growth. World population continues to increase at a net rate of 211,000 people per day. Furthermore, the availability of arable land to produce food for the six billion people already on the planet is limited. The standard of living around the world also continues to rise, despite recent financial setbacks in parts of Asia. Higher incomes quickly lead to improved diets. The combination of limited new arable land and higher demand will inevitably require greater productivity. The only sustainable way to achieve this is by regularly replenishing the soil with nutrients such as nitrogen, potash, phosphate and sulphur.

Agrium's low-cost operations and strong presence in regional markets have enabled us to sustain strong margins and endure market downturns. We are very well positioned to benefit when commodity prices recover.

One of Agrium's key competitive advantages has been that the majority of our modern nitrogen production facilities in Western Canada are close to an abundant and relatively low-cost supply of natural gas, with strong distribution capabilities to the higher-return markets of Western North America and the Central United States. These advantages give Agrium among the highest nitrogen margins in the fertilizer business in North America.

Agrium's vast network of storage and distribution facilities throughout our key markets allows us to consistently deliver products and meet customers' expectations in a highly seasonal business.

It was recognized long ago that Agrium's success was directly linked to the ability to deliver the right fertilizer products to the right markets at the right time. In North America, the majority of Agrium's sales and earnings are made during the spring and the fall seasons. To meet these normal seasonal demand patterns and ensure customers have products and services available when they need them, Agrium has built an extensive storage and distribution system in its key markets, second to none in the industry. We have recently negotiated major new rail contracts and streamlined transportation operations to improve savings.

Our foresight has positioned Agrium to be able to pursue select opportunities to grow through acquisitions and mergers.

This strategy has proven successful for Agrium. It has helped increase revenue from approximately $260 million in 1992 to $1.8 billion in 1998. In each case, our ability to effectively and efficiently integrate new plants and realize significant cost savings has demonstrated the strength of our people, management systems and processes. The merger with Viridian, our largest and most recent, continues to generate significant synergies. In 1998, the merged entities realized more than $60 million in cost savings and will exceed $70 million in 1999 and the years ahead.

In December we moved into our new headquarters at *13131 Lake Fraser Drive S.E. in Calgary.* Our head office and marketing staff are now located under one roof. When in the Calgary area all of our stakeholders are warmly encouraged to visit us at our new location.

1998 was another record year of profitability for our retail business in spite of the downturn in the industry.

Through a combination of superb customer service and exceptional market reach, Agrium's Retail Business Unit remained consistent in 1998 as a powerful force in farm products and services in North America. With more than 225 retail farm centres across the United States, Agrium's retail service area now reaches farms that deliver more than 40 percent of total US crop production.

The Retail Business Unit provides a ready distribution outlet for our wholesale production. Equally important is the link it provides to our customers – the farmers who use our fertilizer products. We are transferring this model to our operations in Argentina – laying the groundwork in farmer relationships, buying patterns and distribution requirements. This on-the-ground market intelligence guides our production, distribution and new products strategy in each of our markets.

Our retail business provides a strong return on investment and delivers stable sales and margins. Agrium's Retail Business Unit continues to pursue market share expansion through acquisitions as the retail agricultural sector continues to consolidate in North America.

Agrium is positioned to capture growth opportunities in other key markets around the world.

Agrium's focus outside of North America is in the Southern Cone of South America, where there is significant potential for increased use of fertilizer. Agrium's strategy is to capitalize on this potential through a 50 percent joint venture in a world-scale nitrogen plant being built in Argentina. The plant, when completed, will be the largest single-train urea plant in the world and the largest supplier of urea in the Southern Cone region. This is a region that has a huge agricultural economy and whose current fertilizer needs are largely being met through imports. The plant is expected to come on-stream by mid-year 2000 and will contribute significantly to Agrium's growth and profitability in future years. While Argentina will remain Agrium's primary focus in offshore markets, Agrium is also looking at other opportunities throughout the Southern Cone of South America.

Agrium is continually expanding its presence and enhancing the value chain through vertical integration opportunities.

One of Agrium's strategies for growing its business in North America has been to focus on capturing value from each link in the value chain. In 1997, Agrium started the development of the phosphate rock mine at Kapuskasing, Ontario, which represents a significant step toward this objective. This new phosphate mine will provide the raw material to produce phosphate fertilizers at Agrium's Redwater, Alberta plant, replacing approximately one million tonnes annually of phosphate rock currently being imported from West Africa. Anticipated cost savings from this project are estimated to be $33 million annually. Based on a capital investment of $70 million, the projected payback for the mine is rapid. The new mine is expected to come on-stream in mid-year 1999, creating a more accessible and secure supply of raw material. At year-end 1997, we also purchased a phosphate rock mine in Idaho, close to our Conda phosphate production facility. Fertilizer from this plant serves the California and Pacific Northwest markets. Agrium is saving $6 million per year, delivering a superior return on investment.

Management continues to believe Agrium's shares are considerably undervalued and represent a significant investment opportunity.

In September 1998, we completed a 10 percent share repurchase program and announced a further share repurchase program of 5 percent of the outstanding shares. At year-end, the Company's buy-back programs had retired approximately 27 million shares since 1996. The number of shares outstanding is 113 million as of March 1999.

SIXTY-EIGHT YEARS IN THE FERTILIZER BUSINESS HAVE TAUGHT US HOW TO COMPETE AND STAY AHEAD OF THE COMPETITION.

Agrium is committing the people and resources today to create the fertilizer products of tomorrow.

Agrium continues to focus on selective new product development and on application of patented technology to enhance existing products. At the same time, we continue to monitor the impact of potentially competitive technology which could affect the future of our core businesses.

Strategies to Grow Our Business

We are building on our strong base and optimizing our opportunities by leveraging Agrium's market-leading strengths, products and services. We are growing through acquisitions and strategic alliances. Agrium is actively pursuing merger and acquisition opportunities to achieve synergistic growth in targeted areas. Our goal is to expand Agrium's critical mass and core competencies through cooperative ventures with other industry participants, thereby extending our markets. We will also review and optimize assets when market opportunities arise. Agrium is applying its significant financial strength to fund the capital requirements of our growing business. We are encouraging and rewarding a high-performance culture in every corner of our business. We are pursuing and seizing opportunities more aggressively than ever before at Agrium.

The Agrium of 1998 represents the merging of many companies and cultures over the years. The 1996 Viridian merger alone nearly doubled the size of the Company and introduced the Agrium name to many new customers and markets in North America. The project in Argentina adds a new international dimension in terms of culture, customers and markets. One of the key initiatives in the area of human resources and employee communication is to unite all of our working environments around the values embodied in "*One Company, One Culture*." We believe that while companies can copy technology and best practices, a positive high-performing culture that provides a sustainable competitive advantage cannot be duplicated.

Like the farmers and growers it services, Agrium has and will continue to manage the challenges ahead and maximize all opportunities. We remain ever-vigilant to new ways to improve efficiency, lower costs and increase margins. In an effort to reduce costs, we have established a cost review team to look for ways to reduce our selling, general and administrative expenses. Sixty-eight years in the fertilizer business have taught us how to compete and stay ahead of the competition. Agrium will weather this downturn in prices and come out stronger than ever.

In closing, we would like to take this opportunity to express our gratitude to Agrium's Board of Directors, whose wisdom and guidance have steered the Company through changing markets. We would like to thank James Temple, who resigned in 1998 after his outstanding service to the Company. We would also like to take this opportunity to welcome Dr. Carroll Brunthaver, Harry Schaefer and Thomas Taylor to the Board of Directors. In addition, we thank each and every member of our 4,530-employee work force for their skills and dedication – it is their commitment and hard work that have made Agrium the success it is today. We look forward to sharing many successful years to come with all of you.

On behalf of the Board,

Frank W. Proto
Chairman of the Board
March 12, 1999

John M. Van Brunt
President and Chief Executive Officer
March 12, 1999

O P E R A

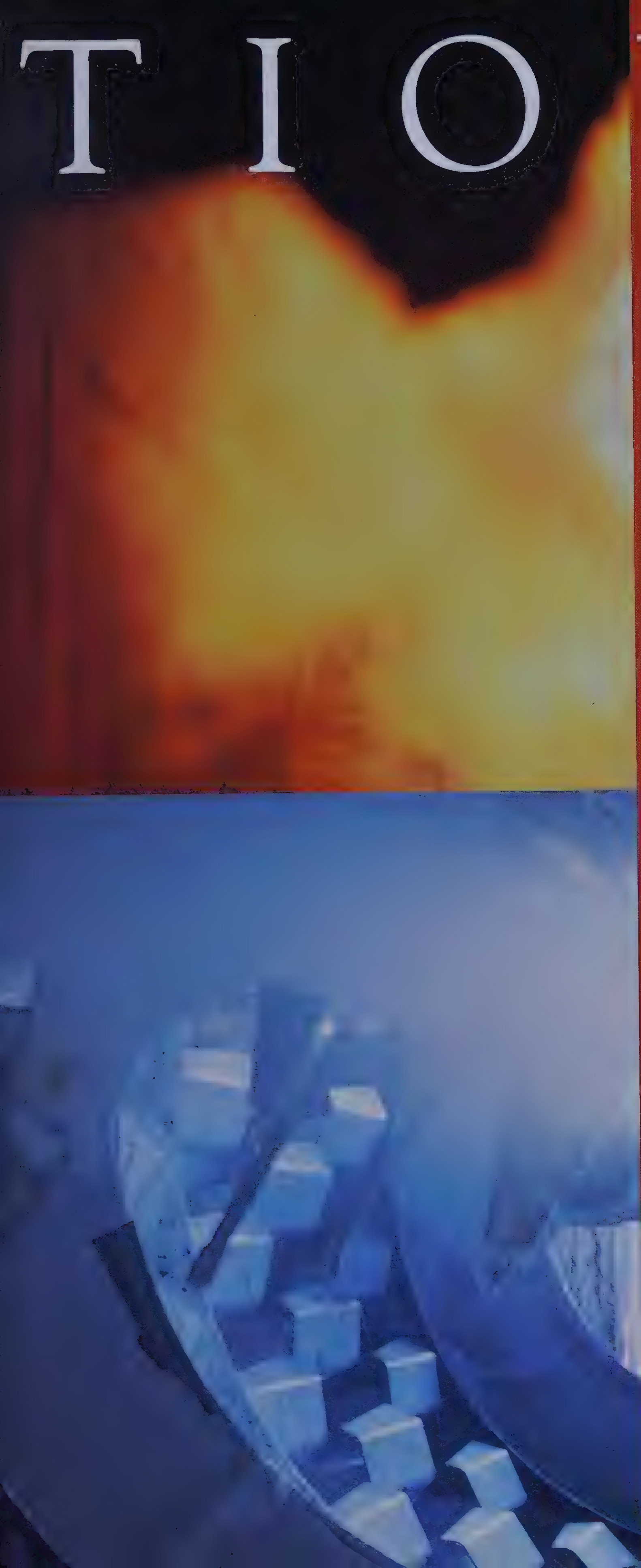
Agrium's Core Competencies

- Managing production
- Wholesale marketing, distribution and transportation
- Retail marketing

Corporate Values

- Leadership
- Ownership
- Growth
- Integrity
- Quality

T I O N S



William Robertson
Executive Vice President and
Chief Operating Officer

Entrenched Competitive Strengths

- Customer focus
- Skilled team of employees, teamwork ethic and participative management
- Employee issues treated fairly and equitably
- Low-cost performance, profitable in down cycles
- Good reputation as a well-run company with demonstrated integrity
- Low-cost raw materials and processing capability
- Safe operations
- Superior distribution network results in supply reliability
- Environmentally sensitive and responsible
- Results-oriented
- Strong capital project management skills

Emerging Competitive Strengths

- Forward-looking view of the business and strategic planning
- Entrepreneurial approach
- Merger and acquisition integration capability
- Open, straightforward culture
- Development of employee growth and opportunities

North American Wholesale

Ivan Olsen has been a fertilizer and micronutrient retailer in Olds, Alberta for more than two decades. His farm service centre offers a full complement of agricultural products and services to customers throughout the central part of the province. It is important to Ivan that his facility provides the products and services that his customers need now, while continually researching new developments and techniques to ensure that he has the knowledge to help his customers in the future. Farmers in the area know they can rely on Ivan for the latest in agronomic trends, recent innovations in custom applications and a consistent supply of agricultural products and services. “Value-added services and reliable supply are the key to customer relationships,” claims Ivan.

Ivan also believes that some measure of his success is attributable to his strong alliance with one fertilizer supplier. As he says, “I have sold Agrium products for 23 years and I value the company’s fair prices, excellent sourcing of products as well as the people who provide great service season after season.” For Ivan, consistency is key. Consistent source, supply and service enable him to provide the highest quality products and services to his customers when and where they need them.

Keith Clayton	Dave DeBiasio	Chris Tworek	Gordon Whitham	John Yokley
Director, Technology	*Vice President, Energy and Raw Materials*	*Vice President, Transportation and Logistics*	*Vice President, Operations*	*Vice President, Marketing*

Within the North American Wholesale Business Unit ("Wholesale"), Agrium owns and operates nine major fertilizer plants across North America – six in Canada and three in the United States. These plants manufacture products in all four major nutrient groups: nitrogen, phosphate, potash and sulphur. During 1998, this Business Unit accounted for nearly 52 percent of Agrium's net sales and 87 percent of operating profit.

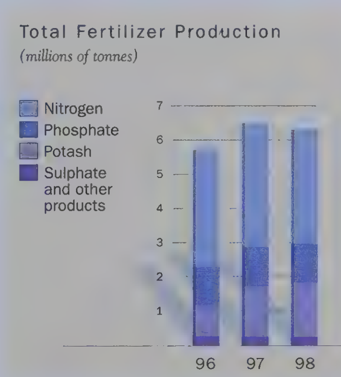
More than half of Wholesale's 1998 sales are derived from nitrogen products. Agrium is the ***largest producer of nitrogen fertilizers*** and ranks third in potash sales within North America. It is also the number one producer of phosphate in its market areas.

During 1998, 74 percent of Agrium's production was sold to agricultural customers in North America. Another seven percent was shipped to offshore customers and the remainder was sold to industrial customers in Canada and the United States.

Agrium has several key competitive manufacturing advantages that allow the Company to outperform its peers.

First, Agrium's nitrogen production assets are among the ***newest and most efficient in the industry.*** Three of the last six North American world-scale facilities built since 1980 are owned by Agrium. This advantage provides economies of scale and operating efficiencies unachievable by older, smaller plants. These efficiencies were improved during 1998 through upgrades at our Redwater and Fort Saskatchewan, Alberta plants. Ongoing initiatives are focused on reducing energy requirements and improving efficiency throughout Wholesale's operations.

Second, Agrium's plants are strategically located in prime North American markets, where strong demand and competitive transportation provide superior results. Western Canada, where nearly 33 percent of Wholesale's sales occur, consistently features the ***lowest input costs and a solid return on sales*** for nitrogen and phosphate products. This is an exceptionally strong combination.

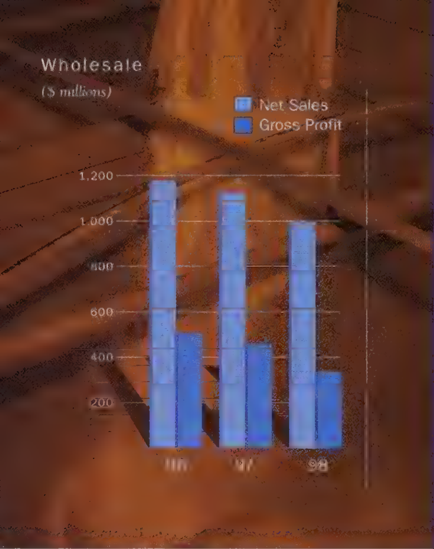


Third, Agrium buys the bulk of its natural gas – which represents approximately 70 percent of the cost of producing ammonia – in Western Canada. This region has historically supplied the lowest-cost natural gas in North America. During 1998, Alberta gas sold at $1.47 per MMBtu compared to $2.13 per MMBtu on the Nymex market, the benchmark measure of competitors' gas costs. This advantage is enhanced by strategic hedging programs designed to manage price volatility.

Fourth, Agrium has built a vast network of storage and distribution facilities unequalled in its markets, allowing the Company to consistently meet customer needs in a timely manner. In an industry characterized by two main application seasons – one in the spring and one in the fall – the ability to deliver the right products in the right volumes at the right time is an advantage. Agrium controls more than 2,000 rail cars, owns 14 ammonia storage facilities, 10 dry fertilizer storage operations and has direct access to more than 100 leased locations and an 870-mile ammonia pipeline. This enables the Company to build inventory throughout the year in order to meet customer needs in the spring and fall.

Finally, Agrium captures the most value from its manufacturing facilities by owning and controlling the production value chain. Agrium is integrating two phosphate rock mines to supply plants at Redwater, Alberta and Conda, Idaho. A new mine near Kapuskasing, Ontario is scheduled to begin production in mid-year 1999. This mine is projected to produce one million tonnes of phosphate rock annually, displacing rock currently being imported from West Africa, and will have an estimated reserve life of twenty years. Annual savings from this phosphate mine are projected at $33 million per year. Agrium has also acquired a phosphate mine near Conda, Idaho, which is resulting in savings of $6 million a year.

The overriding strategy in Wholesale is to increase sales and earnings through incremental expansion of existing facilities. This will be complemented by strategic acquisitions and a continuing focus on ***improving margins through cost reduction and sales rationalization.***



THEIR USE AND APPLICATION

FERTILIZER

All green plants need soil nutrients in order to grow. Under normal conditions, the required nutrients are present in soil. When plants die and decompose, the nutrients are returned to the soil for use by future plants. However, when plants are removed from the soil they must be replaced in order to restore the soil to its original state. In agricultural applications, the use of fertilizers plays a critical role in establishing and maintaining a healthy balance of soil nutrients.

Through North American Wholesale, Agrium produces and markets all four of the world's most important fertilizer groups: nitrogen, phosphate, potash and sulphur. From its base in Western North America, the Company utilizes an extensive network of distribution facilities and a chain of retail outlets to reach markets across North America and around the world.

North American Industry Overview

Gas Costs per MMBtu

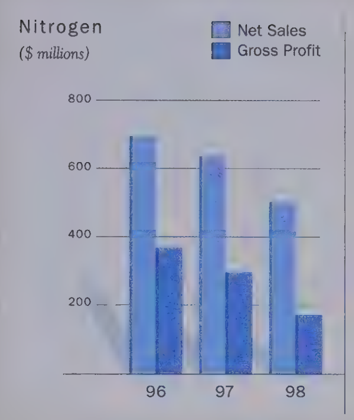
Source: Blue Johnson
(1998 Average)

Lower production costs and a vast distribution system enable Agrium to compete effectively in its target markets.

Nitrogen Operations

Nitrogen provides the basic building block for plants, aiding in the production of green tissue and giving plants a lush and healthy deep green colour. Nitrogen enhances stem and leaf growth and increases the protein content of edible plants.

Nitrogen production is the cornerstone of Agrium's business. The Company produces nearly 3.6 million product tonnes per year of nitrogen for sale at six production facilities across North America – Redwater, Fort Saskatchewan, Carseland and Joffre, Alberta; Borger, Texas; and Homestead, Nebraska. At each of these plants, nitrogen is produced in various forms, including ammonia, urea, ammonium nitrate and ammonium sulphate, each of which has different uses and applications.



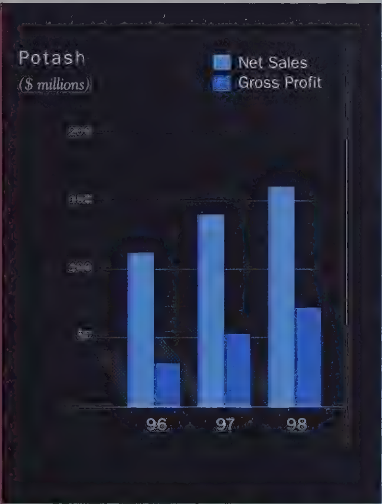
In 1999, Agrium plans to continue to introduce efficiency improvements throughout its nitrogen operations in order to meet the increasing global demand for nitrogen as the world's first choice in fertilizer products. The primary markets for Agrium's nitrogen products are Western Canada, US Northwest and Midwest.

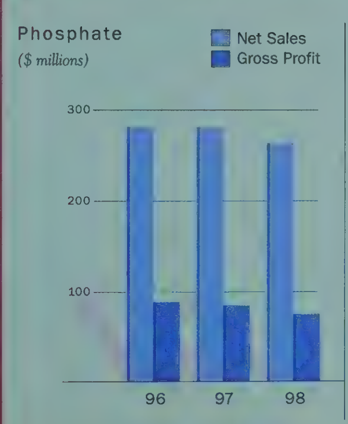
Potash Operations

Potash is the nutrient responsible for the development of fruit and flowers in plants. It produces bright colours and plays an important role in the formation of sugars, starches and critical nutrients that are stored in the roots. Potash also builds strong stalks, which is especially important for tall crops such as corn, and helps toughen plants to resist disease.

Nearly 95 percent of the global demand for potash is for use as fertilizer. There are only 13 countries where potash is produced, and Canada is one of the largest producers. As a result, there are significant opportunities for international export.

The most common form of potash is potassium chloride, which is produced by Agrium at Vanscoy, near Saskatoon, Saskatchewan. A major expansion at the Vanscoy plant in 1997 increased potash production by more than 28 percent, resulting in production of 1.6 million tonnes in 1998.





Phosphate Operations

Phosphate is an essential nutrient for the development of strong and healthy roots. By stimulating the growth of strong roots, phosphate allows plants to survive long periods of drought. It is most useful if applied early in a plant's life when roots are first being developed. Phosphate is also vital for the movement and storage of food reserves within the plant, and is the main nutrient associated with proper seed development.

Agrium produces phosphate at Conda, Idaho and at Redwater, Alberta, the only phosphate production facility in Canada. During 1998, phosphate production reached more than 1.2 million tonnes, an all-time record, due to improved operating practices and continued service factor improvements.

North American Retail

Nancy and David Erickson planted more than 2,800 acres of corn and soybeans last year just outside Galesburg, in western Illinois. Nancy and David began farming in 1984 with Nancy's parents, who have farmed the property for more than 30 years.

Their approach to farming is built upon a belief that it's a business. As Nancy says, "One needs to continually keep a focused eye on costs and the bottom line. There is no room for emotion in farming, it just distracts you from the business." This approach has meant some hard choices at times and bold moves at others. Each decision on the Erickson farm is the result of rigorous cost/benefit analysis based on detailed field-by-field information, including soil content, production records and till requirements. There is no guesswork on this farm.

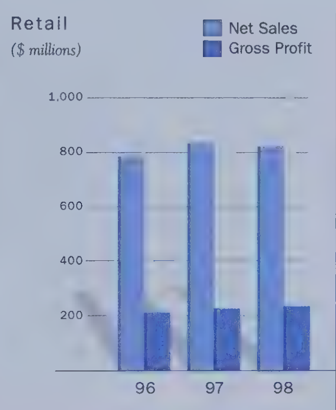
Managing the growing impact of technology has been a particular challenge for the Ericksons. In response, they have developed a sophisticated methodology for testing and evaluating innovations such as value-added seed products and timed-release nutrients. "If the field test does not demonstrate a clear and sustainable financial advantage in the mid- to long-term, we drop it and move on. It's as simple as that," claims David.

The Ericksons demand the same businesslike approach from their farm suppliers. They seek relationships based on trust and dependability – not emotion. Agrium is proud to have been a supplier to the Ericksons for more than 13 years.

Agrium's Retail Business Unit ("Retail") is North America's second-largest independent retailer of agricultural products, including seed, chemicals and fertilizers, and is also a leading provider of value-added agricultural services. Retail operates more than 225 retail farm centres in 22 states throughout the western, midwestern and northeastern regions of the United States. They generate approximately 45 percent of Agrium's net sales.

Richard Gearheard	Gary Cline
Vice President, Retail	*General Credit Manager*

Bob Kerbs	Gordon Miller	Tom Warner
Vice President, Marketing	*Vice President, West Region*	*Vice President, East Region*



Retail and its 2,286 employees work predominantly in the United States and operate under two names, Western Farm Service in the Pacific Northwest and California, and Crop Production Services in 17 states throughout the Northeast and Midwest. Retail offers growers a full complement of farm services, including soil testing, nutrient monitoring, crop input recommendations, precision agriculture, product application and follow-up yield analysis.

Retail stresses the development of ***relationships with growers,*** differentiating its products by adding the value of professional services and commitment to the success of its customers. Agricultural retailing is a relationship business, and the key to building mutually productive relationships is providing extraordinary service.

Technology is changing the face of many industries, including farming. Retail believes information and technology will play an ever-increasing role in customers' determination of fertilizer needs, including mix and application rates. Another growth area in Retail is the increasing demand for ***genetically-altered seeds***, which have reduced the use of certain chemicals and have produced enhanced crop output traits.

In 1998, Retail generated ***record Earnings Before Interest and Taxes ("EBIT") of $36 million on sales of $821 million,*** in spite of reduced chemical sales and unusually wet spring weather conditions in California. This state accounts for nearly half of Retail's sales.

Agrium expects Retail to grow steadily through selective acquisitions as the industry continues to consolidate. Retail will pursue opportunities to increase market share by expanding its presence and capturing synergies within existing markets. This growth will be supplemented by an expected increase in demand for other value-added services.

INTERNATIONAL

For three generations Hugo Buug's family has farmed 5,500 acres in the rich agricultural region of Tres Arroyos in south-eastern Argentina. With approximately half of their acreage in crops and more than 1,700 head of beef, the Buug farm is one of the more substantial operations in the region. Hugo, together with his wife and brother, has managed the business for more than 22 years, taking over from his father in 1977, who in turn had taken over from his father before him. As Hugo says, "Weather and prices have shaped the year-to-year profit of the farm but commitment, experience and hard work have made it successful."

The Buugs are most proud of their ability to maintain and build upon the integrity of their grandfather's original breeding stock. Prized for their proven high-quality bloodlines, Buug livestock command a premium in the marketplace. "My grandfather had the foresight to build a bloodline that would have lasting value," says Hugo, "and we remain committed to building upon his important legacy. We can't control the weather or the markets, but we can continue to build value – and in time, this is what counts."

Since 1995 Agrium, through its retail subsidiary Agroservicios Pampeanos ("ASP"), has been proud to provide agricultural products and services to the Buug farm through its retail farm centre located nearby in San Antonio de Areco. Historically, fertilizer use has not been widespread in the region. By building strong long-term relationships with influential farmers like Hugo Buug, we are broadening awareness throughout the region of the benefits of regular fertilization and the profitable yields it can generate.

Agrium's success in North America provides leverage for its expansion opportunities in the Southern Cone of South America. The Company's highly successful wholesale and retail business competencies provide a competitive advantage in this environment.

Argentina has significant growth opportunities available in its agricultural sectors. Although growers employ modern-day farming practices, their current fertilizer application rates per hectare are among the lowest in the world. Agrium brings North American technology, know-how and service gained from its successful wholesale and retail businesses.

The naturally rich Pampas of Argentina is being mined of its nutrient richness and now requires proper and balanced fertilization. Argentine fertilizer consumption is anticipated to grow with increased fertilizer usage per existing hectare and increased hectares coming under intensive agricultural production.

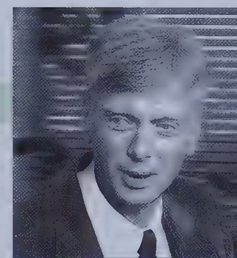
Profertil S.A. is a joint venture partnership between Agrium and YPF Sociedad Anonima ("YPF"). YPF is Argentina's largest integrated oil and gas company, which explores for, develops and produces oil and natural gas in South America, the United States and Indonesia. YPF also refines, markets, transports and distributes oil and various other petroleum products, petroleum derivatives, petrochemicals and liquid petroleum gas.

Profertil will be Agrium and YPF's strategic vehicle for the production of nitrogen and marketing and wholesale distribution of all fertilizers in South America.

Profertil is completing construction of the largest single-train urea plant in the world. With a projected capacity of more than 1.1 million tonnes of urea and 70 thousand tonnes of ammonia for sale, the plant will be the most competitive supplier of nitrogen products in the Argentine marketplace. Currently Argentina imports most of its fertilizer needs. This plant is scheduled to come on-stream in mid-year 2000.

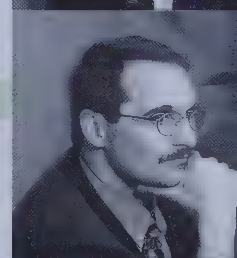
Agrium also owns a network of 18 farm centres under the banner of Agroservicios Pampeanos ("ASP"). ASP operates full-service farm centres supplying growers with fertilizer, ag chemical, soil testing and seed requirements. They also offer the ability to custom-apply these agricultural inputs on behalf of the grower. ASP's marketing approach is based on Agrium's North American model which provides the most modern agricultural technologies directly to the growers.

This combination of wholesale and retail capability linked together with an efficient and modern distribution and storage network will ensure Agrium's leadership in the rapidly developing markets in the Southern Cone of South America.



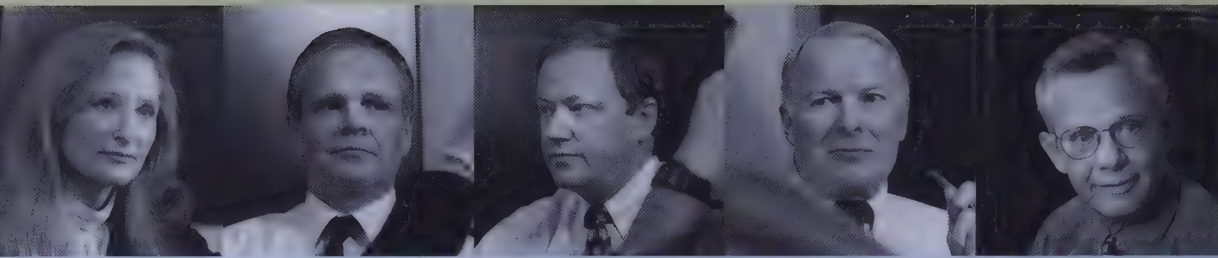
Robert Rennie
Vice President, International

Wayne Duha
Manager, ASP



Greg McGlone
General Manager, Operations and Projects

Ron Wilkinson
General Manager, South America



Dorothy Bower	Larry Collins	Dennis Kalma	Michael Klein	Peter Hemmes
Vice President, General Counsel and Corporate Secretary	*Vice President, Strategic Development*	*Vice President, New Products*	*Vice President, Human Resources and Administration*	*Director, Environment, Health and Safety*

RESPONSIBILITY

Agrium is committed to protecting the environment and ensuring the health and safety of its employees, customers and members of the public touched by its operations, products and services – now and in the future. Agrium manages its environmental, health and safety ("EH&S") risks, minimizing the Company's impact, promoting partnerships and product stewardship, communicating risks, ensuring performance, and designing and operating its facilities responsibly.

Managing Risk

Since the merger with Viridian in December 1996, Agrium has been adopting *"best practices"* from its combined facilities into all operations to achieve the most efficient management of EH&S risks. This process was formalized in October 1998 when Agrium adopted an EH&S management system compatible with the latest ISO 14000 standard. The system, which standardizes policy and procedures across the Company, requires that performance results be reported to the Board of Directors on a quarterly basis.

To ensure Agrium remains prepared, the Company's Corporate Crisis Management Plan and Emergency Response Plan were tested at two plants in the fall of 1998.

Minimizing Impact

Compliance with laws and regulations is a minimum operating requirement, but in cases where the situation warrants additional action, Agrium is prepared to go beyond those regulations.

As an example, at the Fort Saskatchewan facility, a $2.2 million high-pressure condensate stripper was installed in June 1997, eliminating transfers of 2,700 tonnes of ammonia, methanol and other trace odours to the ammonia plant flue gas.

Product Stewardship

In June 1998, Agrium's Conda phosphate plant achieved its recertification as a "*Star*" facility in OSHA's Voluntary Protection Program. This program engages employees, management and OSHA in a cooperative effort to continually improve workplace safety. Certification is achieved by fewer than one percent of US worksites.

Communicating Risks

With the cooperation of fertilizer industry associations, the potential impact of toxic and inflammable releases from Agrium's facilities are modeled, analyzed and communicated to local communities, governments and employees.

Operating Responsibly

Responsible management of EH&S matters must not only be integrated into the value chain, but must be carefully considered as corporate strategies and action plans are being formulated. Key issues relating to EH&S matters for the future include:

- Legislation in the United States targeting trace metal content of fertilizers that may threaten the marketability of phosphate products. This issue is being addressed through scientific risk assessment in conjunction with fertilizer industry associations.

• In September 1997, Agrium submitted its first action plan to Canada's Voluntary Challenge and Registry program. In 1998, the first update identified projects that, by increasing capacity, will increase efficiency on a carbon dioxide-equivalent, emissions-per-unit of finished product basis.

NEW PRODUCTS

The New Products group works with governments, universities and industry partners to research and develop agricultural products which will meet the future needs of Agrium's customers. In addition, Agrium's extensive distribution system and network of retail farm centres gives it the ability to test-market these products in the field and eventually bring them to market.

The new fertilizers area offers Agrium the opportunity to develop and introduce new products that challenge conventional understanding about the way fertilizers are used worldwide. In this area, Agrium is currently test-marketing two new products. The first is a patented *Sulphate Plus* fertilizer, now being produced at Agrium's Redwater plant. This is a highly-concentrated product with nearly double the sulphur content of other fertilizers of the same volume, consequently costing less to produce and distribute. The second product showing considerable promise is a *controlled release* fertilizer ("Duration CR") which is slowly absorbed by plant roots over time, enhancing absorption, reducing leaching into the groundwater and reducing the need for repeat applications. Agrium's new patented coating system costs less than half that of competing products, and should lead to opportunities for new applications including potential for use in broad agricultural markets.

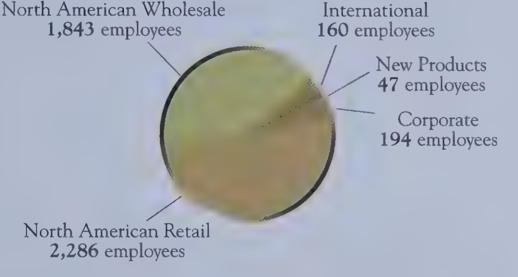
HUMAN RESOURCES

A company's most valuable resource is a trained and motivated employee who understands the organization's strategic objectives, works hard to achieve its goals and continually reflects the company's integrity, commitment to quality and dedication to excellence in customer service.

From the plant floor to the executive suite and from the grower's field to head office, more than three generations of Agrium employees have played key roles serving customers located in North America and around the world. Working with – and sometimes developing – the latest in production technology and business processes, Agrium's operations, marketing, transportation and support staff have an ongoing goal of fielding the best team in the industry.

At the end of 1998, Agrium employed 4,530 individuals in three countries, up marginally from 1997. Of these employees, 1,469 were located in Canada, 2,905 in the United States and 156 in Argentina.

Employee Distribution



Agrium's commitment to employee development begins in the workplace. In 1998, the majority of employees participated in one or more Company-sponsored safety and occupational training programs.

This concentration on education and training also extends to families. In 1998, 87 sons and daughters of Agrium employees received scholarships from the Higher Education Awards program in recognition of their outstanding academic performance in their final year of high school.

GROWING WITH THE COMMUNITY

In 1998, corporate donations totalled $0.3 million. Recipients included civic and cultural organizations, arts and culture, educational institutions, environmental protection organizations, youth and sports groups, and health and welfare organizations. Agrium and its employees have also been proud supporters of the United Way and have won its Platinum Award several years in a row.

Agrium's Board of Directors and its four committees are responsible for the management of the business and the affairs of the Company. The Board reviews and approves the strategic plan of the Company each year and monitors management's progress in achieving its financial and business plans throughout the year. The Board is currently comprised of 11 directors, representing a wide spectrum of experience. Agrium's statement on compliance with the guidelines of the Toronto Stock Exchange Committee on Corporate Governance is detailed in the Company's Information Circular.

GOVERNANCE

BOARD OF DIRECTORS

Frank W. Proto
Regina, Saskatchewan

Carroll G. Brunthaver
Memphis, Tennessee

Neil Carragher
Toronto, Ontario

Ralph S. Cunningham
Houston, Texas

D. Grant Devine
Regina, Saskatchewan

Frank W. King
Calgary, Alberta

G.W. MacLaren
London, England

Harry G. Schaefer
Calgary, Alberta

T. Don Stacy
Houston, Texas

Thomas M. Taylor
Fort Worth, Texas

John M. Van Brunt
Calgary, Alberta

Audit Committee

N. Carragher (Chair)

R.S. Cunningham

F.W. Proto

H.G. Schaefer

The Audit Committee reviews Agrium's financial statements before they are approved by the Board. It monitors internal control procedures and risk management issues. In the discharge of its duties, the Committee meets regularly with both internal and external auditors. It also examines the fees and expenses for audit services and recommends external auditors for appointment by the shareholders. This Committee met on six occasions in 1998.

Compensation Committee

G.W. MacLaren (Chair)

D.G. Devine

F.W. Proto

T.D. Stacy

The Compensation Committee's responsibilities include establishing, for the Board's approval, the President and Chief Executive Officer's compensation and policies relating to compensation of Agrium's executive officers. This Committee is also responsible for fixing the amount and composition of annual compensation to be paid to members of the Board and its Committees, and reviewing and assessing the design and competitiveness of Agrium's compensation and benefits programs generally. This Committee met on three occasions in 1998.

Corporate Governance and Nominating Committee

T.D. Stacy (Chair)

F.W. King

G.W. MacLaren

H.G. Schaefer

T.M. Taylor

The Corporate Governance and Nominating Committee is responsible for the development and maintenance of Agrium's corporate governance practices. Its duties include identifying and recommending to the Board appropriate director candidates, and establishing Board committee structure, composition and membership. The Committee's responsibilities include reporting annually to the Board on the effectiveness of the performance of the Board as a whole, including specifically reviewing ways in which the Board's effectiveness may be enhanced. This Committee also submits to the Board for its approval the Company's Statement of Corporate Governance Practices contained in the Company's Information Circular. The Committee met on four occasions in 1998.

Environmental, Health and Safety Committee

F.W. King (Chair)

C.G. Brunthaver

R.S. Cunningham

D.G. Devine

The Committee's particular focus is on the Company's environmental responsibilities and ensuring that effective processes are in place for environmental management. The Committee met on four occasions in 1998.

Gordon Milne *Vice President, Finance and Chief Financial Officer*	Ian Chadsey *Director, Investor Relations*
George Chelico *Director, Corporate Tax*	Patrick Freeman *Treasurer and International Controller*
Ian Hornby-Smith *Controller and Chief Information Officer*	David Pike *Manager Internal Audit*

This discussion and analysis of results of operations and financial activities should be read in conjunction with the Consolidated Financial Statements and related notes. Amounts are stated in millions of US dollars unless otherwise indicated.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIS OF PRESENTATION

The Corporation conducts its operations through three Strategic Business Units: North American Wholesale ("Wholesale"), North American Retail ("Retail") and International. Wholesale manufactures, distributes and sells fertilizers and related products to customers in Canada, the United States and other export markets. Retail purchases, distributes and markets agricultural inputs, primarily fertilizers and chemicals, and provides a range of application and tailored agronomic services to growers in the United States. International identifies and develops agriculture-related growth opportunities outside of North America, and currently is engaged in retail operations in Argentina. These strategic businesses are supported by various Corporate functions. The Canadian fertilizer production and wholesale operations are conducted through the Agrium Partnership. Currently, only the results of Wholesale and Retail are sufficiently material to warrant separate analysis and discussion.

On December 10, 1996, Agrium Inc. issued common shares to the shareholders of Viridian Inc. ("Viridian") in exchange for all the issued and outstanding shares of Viridian. The resulting business combination has been accounted for using the pooling of interests method of accounting, whereby the consolidated financial information reflects the assets, liabilities and results of operations of Agrium and Viridian at the historical amounts recorded by these companies. This discussion and analysis of results of operations and financial activities has been prepared on the basis that Agrium and Viridian have constituted a single reporting entity for the periods covered, and is also presented before discontinued operations, comprised of Viridian's former businesses of oil and gas, advanced industrial materials and related research and development activities, which were disposed of in 1996.

Other significant transactions affecting the years under discussion (1998, 1997 and 1996) are the issue of 8% Canadian Originated Preferred Securities ("COPrS") in 1998, the repurchase of approximately 10% and 11% of the outstanding common shares of the Corporation in 1998 and 1997, respectively, and the retirement of substantially all of Viridian's high-coupon debt in 1996. As of December 1998, the Corporation increased its holdings from 33% to 50% in Profertil S.A., which is constructing a world-scale nitrogen fertilizer plant in Argentina.

RESULTS OF OPERATIONS

1998 Compared to 1997

Consolidated

The following table summarizes the results of operations of the Corporation for the years ended December 31, 1998 and 1997:

	1998				1997			
	Wholesale	**Retail**	**Eliminations and Other**	**Total**	Wholesale	Retail	Eliminations and Other	Total
Net sales	$990	$821	$ (6)	$1,805	$1,121	$830	$(13)	$1,938
Cost of product	654	585	(20)	1,219	666	600	(22)	1,244
Gross profit	336	236	14	586	455	230	9	694
Selling	21	172	12	205	29	163	12	204
General and administrative	19	6	20	45	17	8	19	44
Depreciation and amortization	54	23	15	92	54	23	8	85
Royalties, interest income and other	8	(1)	5	12	(4)	1	5	2
Earnings from operations before undernoted items:	$234	$ 36	$(38)	232	$ 359	$ 35	$(35)	359
Interest				40				46
Earnings before taxes				192				313
Income taxes				71				128
Net earnings				$ 121				$ 185
Cash provided by operations				$ 324				$ 289

Net earnings for the year ended December 31, 1998 were $121 million ($0.96 per share), compared to $185 million ($1.43 per share) in 1997, a decrease of $64 million ($0.47 per share). Cash provided by operating activities after net changes in non-cash working capital was $324 million ($2.64 per share) in 1998, an increase of $35 million ($0.39 per share) compared to $289 million ($2.25 per share) in 1997.

Gross profit of $586 million for 1998 declined by $108 million from $694 million in 1997, due primarily to lower Wholesale margins resulting from lower selling prices for nitrogen products, but partially offset by higher Retail margins.

Selling, general and administrative expenses of $250 million for 1998 increased marginally from $248 million in 1997. Increased expenses from expansion of Retail and International operations have largely been offset by synergies arising from the merger with Viridian.

Depreciation and amortization of $92 million for 1998 increased by $7 million from 1997, mainly as a result of the full-year impact of 1997 expansion of retail operations in Argentina.

Interest expense for 1998 decreased by $6 million compared to 1997, due to the use of proceeds from the issue of COPrS to reduce bank indebtedness.

Royalties, interest income and other expenses increased by $10 million compared to 1997. The primary reasons for the increase relate to costs associated with discontinuing the Corporation's agricultural biological business, write-offs of costs associated with the development of a proposed urea plant in Vietnam and the R21 precision agriculture project. These costs totalled $9 million. Other cost increases were substantially offset by increased interest income from investment of surplus cash. 1997 amounts were comprised of non-recurring revenue items, including the proceeds of a business interruption insurance claim.

The Corporation changed its policy for accounting for income taxes in the fourth quarter of 1998, adopting the liability method of accounting for income taxes under the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants effective January 1, 1998. Previously, the Corporation and its subsidiaries used the deferral method of accounting for income taxes.

The Corporation's effective tax rate decreased from 41% in 1997 to 37% in 1998, primarily reflecting lower foreign tax rates and the relative impact of fixed permanent differences between accounting income before tax and income subject to tax.

Cash provided by operating activities after net changes in non-cash working capital of $324 million was $35 million higher than 1997 levels due primarily to reductions in working capital as a result of previously deferred taxes becoming currently payable. The net changes in non-cash working capital for the years ended December 31, 1998 and 1997 are as follows:

	1998	1997
Decrease (increase) in current assets		
Accounts receivable	$ 26	$ (54)
Income and other taxes recoverable	40	(30)
Inventories	(29)	(2)
Prepaid expenses	5	6
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	15	(30)
Income taxes payable	59	–
Net change in non-cash working capital	$116	$(110)

North American Wholesale

The following table summarizes Wholesale net sales, cost of sales, gross profit, sales volumes and margin by product line for the years ended December 31, 1998 and 1997:

	1998					1997				
	Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)	Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)
Nitrogen	$501	$330	$171	3,504	$48.80	$ 633	$337	$296	3,497	$84.64
Potash	160	88	72	1,504	47.87	140	87	53	1,484	35.71
Phosphate*	262	187	75	1,062	70.62	279	195	84	1,135	74.01
Sulphate and other products	67	49	18	561	32.09	69	47	22	619	35.54
	$990	$654	$336	6,631	$50.67	$1,121	$666	$455	6,735	$67.56

**Phosphate is comprised of 149 P_2O_5 equivalent tonnes of liquid phosphate and 913 tonnes of dry phosphate in 1998 (1997: 136 and 999 tonnes respectively).*

Overall

Wholesale gross profit for 1998 decreased by $119 million (26%) from 1997, primarily as a result of lower selling prices for nitrogen products, but partially offset by higher potash sales volumes and margins.

Nitrogen

Gross profit of $171 million attributable to the nitrogen group of products (ammonia, urea, ammonium nitrate and other) for 1998 represents a decrease of $125 million (42%) from 1997, due mainly to lower selling prices. The Corporation continues to have an advantage over its US-based competitors because of lower natural gas input costs and gas usage efficiencies at its Alberta nitrogen production facilities, where the majority of its capacity is located.

Potash

Gross profit from potash operations of $72 million in 1998 increased by $19 million (36%) from 1997 due to a combination of increased selling prices and volumes as well as reduced unit production costs. 1998 was a record year for potash production and sales volumes as well as net sales and gross profit.

Phosphate

Phosphate gross profit of $75 million for 1998 was $9 million (11%) lower than 1997, due to lower sales volumes as well as higher raw material costs. Higher phosphate rock costs at the Redwater phosphate operation were partially offset by lower costs at Conda's phosphate operation as a result of the acquisition of the Rasmussen Ridge phosphate mine from the previous supplier in late 1997.

Sulphate and other products

Other products include ammonium sulphate, other products purchased for resale and special products. Gross profit of $18 million was $4 million (18%) lower than 1997, primarily due to lower sulphate sales volumes.

Expenses

Wholesale selling, general and administrative expenses of $40 million for 1998 declined by $6 million (13%) compared to 1997 due to synergies realized as a result of the merger of Agrium and Viridian. Depreciation and amortization remained virtually unchanged from 1997. Royalties, interest income and other expenses of $8 million for 1998 increased by $12 million compared to 1997. The primary reasons for the increase were higher potash production in 1998, which resulted in increased resource royalties, while 1997 comprised mainly of non-recurring revenue items, including the proceeds of a business interruption insurance claim.

North American Retail

The following table summarizes Retail net sales, cost of sales and gross profit by major product line for the years ended December 31, 1998 and 1997:

	1998			1997		
	Net Sales	**Cost of Sales**	**Gross Profit**	Net Sales	Cost of Sales	Gross Profit
Gross profit						
Fertilizers	**$377**	**$277**	**$100**	$410	$306	$104
Chemicals	**361**	**308**	**53**	351	295	56
Other products and services	**83**	**–**	**83**	69	(1)	70
	$821	**$585**	**$236**	$830	$600	$230

1998 Retail sales were lower than 1997, due to the sale of non-core Canadian assets, although increased focus on higher-margin products and services resulted in a $6 million (3%) gross profit increase. Overall, 1998 was a record year for Retail in spite of El Niño reducing California fertilizer volumes, nitrogen price decreases and a reduction in chemical volumes due to improved seed genetics.

Eliminations and Other

Eliminations and Other includes the activities of International, Corporate functions and eliminations of product transfers from Wholesale to Retail. Earnings from operations decreased from a loss of $35 million in 1997 to a loss of $38 million in 1998. The primary reasons for this decrease include higher depreciation expense resulting from the full-year impact of 1997 retail expansion in Argentina, higher amortization expense in Corporate, and write-offs of costs associated with the Corporation's agricultural biological operations, the development of a proposed urea plant in Vietnam and the R21 precision agriculture project. These costs were partially offset by increased interest income from investment of surplus cash.

1997 Compared to 1996

Consolidated

The following table summarizes the results from continuing operations of the Corporation for the years ended December 31, 1997 and 1996:

	1997				1996			
	Wholesale	Retail	Eliminations and Other	Total	Wholesale	Retail	Eliminations and Other	Total
Net sales	$1,121	$830	$(13)	$1,938	$1,173	$781	$(50)	$1,904
Cost of product	666	600	(22)	1,244	667	566	(39)	1,194
Gross profit	455	230	9	694	506	215	(11)	710
Selling	29	163	12	204	31	153	9	193
General and administrative	17	8	19	44	24	8	17	49
Depreciation and amortization	54	23	8	85	58	22	1	81
Royalties, interest income and other	(4)	1	5	2	8	1	(11)	(2)
Earnings from operations before undernoted items:	$ 359	$ 35	$(35)	359	$ 385	$ 31	$(27)	389
Debt retirement and other amalgamation costs				–				84
Interest				46				58
Earnings before taxes				313				247
Income taxes				128				87
Net earnings				$ 185				$ 160
Cash provided by operations				$ 289				$ 189

Earnings from continuing operations for the year ended December 31, 1997 were $185 million ($1.43 per share), compared to $160 million ($1.16 per share) in 1996, an increase of $25 million ($0.27 per share). Cash provided by continuing operations after net changes in non-cash working capital was $289 million ($2.25 per share) in 1997, an increase of $100 million ($0.88 per share) compared to $189 million ($1.37 per share) in 1996. Earnings and cash provided from continuing operations for 1996 included one-time charges of $84 million ($51 million after tax) associated with the merger with Viridian and the subsequent retirement of its high-coupon debt. Excluding these charges and the related tax impact, 1996 earnings and cash provided from continuing operations were $211 million ($1.54 per share) and $240 million ($1.74 per share) respectively.

Gross profit of $694 million for 1997 declined by $16 million from $710 million in 1996, due mainly to lower selling prices for nitrogen products, as well as an increase in the cost of natural gas, the primary feedstock in the production of nitrogen-based fertilizers. The effect of these factors was partially mitigated by increased potash margins and sales volumes and increased earnings from Retail operations.

Selling, general and administrative expenses of $248 million for 1997 increased marginally from $242 million in 1996. Increased expenses from expansion of Retail and International operations were largely offset by synergies arising from the merger with Viridian.

Depreciation and amortization of $85 million for 1997 increased by $4 million from 1996. The impact of increased charges as a result of expanded Retail and International operations was offset by an increase in the estimated useful life of the Fort Saskatchewan facility with a corresponding reduction in the depreciation charge.

Interest expense for 1997 decreased by $12 million compared to 1996 due to the retirement of approximately $400 million of Viridian's high-coupon debt in December 1996 and the subsequent refinancing in January 1997 at more favourable interest rates.

The Corporation's effective tax rate increased from 35% in 1996 to 41% in 1997, reflecting the relative impact of fixed permanent differences between accounting income before tax and income subject to tax, on a lower income base. At December 31, 1997, the Corporation had approximately $39 million of assets being amortized for accounting purposes which had no corresponding tax basis.

Cash provided by continuing operations after net changes in non-cash working capital, although also impacted by lower nitrogen and phosphate margins in 1997, increased over 1996 levels due to the one-time charges relating to the Viridian merger in 1996 and to the additional deferral of taxes resulting from the corporate restructuring subsequent to the merger.

The net changes in non-cash working capital for the years ended December 31, 1997 and 1996 are as follows:

	1997	1996
Decrease (increase) in current assets		
Accounts receivable	$ (54)	$ 72
Income and other taxes recoverable	(30)	(53)
Inventories	(2)	(24)
Prepaid expenses	6	(4)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	(30)	(31)
Net change in non-cash working capital	$(110)	$(40)

North American Wholesale

The following table summarizes Wholesale net sales, cost of sales, gross profit, sales volumes and margin by product line for the years ended December 31, 1997 and 1996:

	1997					1996				
	Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)	Net Sales	Cost of Sales	Gross Profit	Tonnes (000s)	Margin ($/Tonne)
Nitrogen	$ 633	$337	$296	3,497	$84.64	$ 692	$327	$365	3,468	$105.25
Potash	140	87	53	1,484	35.71	112	80	32	1,218	26.27
Phosphate*	279	195	84	1,135	74.01	280	192	88	1,089	80.81
Sulphate and other products	69	47	22	619	35.54	89	68	21	975	21.54
	$1,121	$666	$455	6,735	$67.56	$1,173	$667	$506	6,750	$ 74.96

**Phosphate is comprised of 136 P_2O_5 equivalent tonnes of liquid phosphate and 999 tonnes of dry phosphate in 1997 (1996: 138 and 951 tonnes respectively).*

Overall

Wholesale gross profit for 1997 decreased by $51 million (10%) from 1996, primarily as a result of lower urea and nitrate prices and the increased cost of natural gas. Partially offsetting these factors were increases in potash volumes and margins, which had been adversely affected by a four-month strike in 1996.

Nitrogen

Gross profit of $296 million attributable to the nitrogen group of products (ammonia, urea, ammonium nitrate and other) for 1997 represented a decrease of $69 million (19%) from 1996, due mainly to lower urea selling prices and increased production costs arising primarily from higher natural gas prices, the primary input in the production of nitrogen-based fertilizers. The Corporation, however, had an advantage over its US-based competitors because of lower natural gas input costs at its Alberta nitrogen production facilities, where the majority of its capacity is located.

Potash

Gross profit from potash operations of $53 million in 1997 increased by $21 million (66%) from 1996 due to a major expansion initiative completed in the third quarter of 1997 and to firm prices. In addition, gross profit for 1996 was adversely affected by a four-month strike.

Phosphate

Phosphate gross profit of $84 million for 1997 was $4 million (5%) lower than 1996, due to lower selling prices partially mitigated by lower production costs resulting from renegotiation of the sulphuric acid supply agreement and from unrestricted sulphuric acid supply in 1997.

Sulphate and other products

Other products include ammonium sulphate, other products purchased for resale and special products. Gross profit of $22 million was virtually unchanged from 1996.

Expenses

Selling, general and administrative expenses of $46 million for 1997 declined by $9 million (16%) compared to 1996 due to synergies realized as a result of the merger of Agrium and Viridian. Depreciation and amortization declined slightly due to a reassessment of the useful life of Viridian's facilities following the merger. The primary reason for the decrease in royalties, interest income and other expenses was the inclusion of proceeds of a business interruption insurance claim in 1997, while 1996 included costs relating to the 1996 strike by Potash employees.

North American Retail

The following table summarizes Retail net sales, cost of sales and gross profit by major product line for the years ended December 31, 1997 and 1996:

	1997			1996		
	Net Sales	Cost of Sales	Gross Profit	Net Sales	Cost of Sales	Gross Profit
Gross profit						
Fertilizers	$410	$306	$104	$380	$281	$ 99
Chemicals	351	295	56	337	283	54
Other products and services	69	(1)	70	64	2	62
	$830	$600	$230	$781	$566	$215

Retail sales and gross profit for 1997 increased by approximately 6% over 1996 levels, reflecting both the addition of nine retail outlets in 1997 and increased market share.

Eliminations and Other

Eliminations and Other earnings from operations decreased from a loss of $27 million in 1996 to a loss of $35 million in 1997. The primary reasons for this decrease include lower interest income of $12 million due to utilization of significant cash balances in the share repurchase programs and debt reduction in 1997, higher costs associated with expansion of International in Argentina, and losses on disposal of fixed assets in 1996.

INVESTING AND FINANCING ACTIVITIES

Financing and Divestitures

In September 1998, the Corporation initiated a new normal course issuer bid to repurchase 5% or approximately 5.8 million of its common shares. Since announcing this share repurchase program, the Corporation has repurchased 1.8 million common shares at an average cost of $8.05 per share through to February 28, 1999.

In April 1998, the Corporation issued $175 million 8% unsecured Canadian Originated Preferred Securities ("COPrS") due June 30, 2047. The net proceeds of $171 million (net of after-tax issue costs of $4 million) were used to finance the 10% share repurchase program in 1998 as well as for general corporate purposes.

In the third quarter of 1997, the Corporation initiated a normal course issuer bid to repurchase up to 5% of its common shares. This bid was increased to 10% in April 1998. The full amount of 12 million common shares was repurchased under this program.

On February 25, 1997, pursuant to a substantial issuer bid, the Corporation repurchased 14 million of its common shares at C$20.00 per share, representing approximately 10% of its outstanding common shares.

On December 23, 1996, the Corporation retired almost all of its outstanding high-coupon debt of $404 million. On January 28, 1997, the Corporation obtained long-term financing in the form of $75 million of 7.0% notes due 2004, $100 million of 7.7% debentures due 2017 and $125 million of 7.8% debentures due 2027. The net proceeds of the debt offerings were used to repay outstanding debt under the Corporation's revolving term credit facility.

On June 26, 1996, the Corporation transferred cash, its advanced industrial materials business and related research and development activities and other industrial businesses to a new wholly-owned subsidiary. The book value of net assets of the subsidiary was subsequently distributed to the Corporation's shareholders for $248 million, including cash of $137 million. The fair value was estimated to be in excess of book value.

In May 1996, the Corporation completed the sale of its Canadian oil and gas business for $60 million in cash and four million share purchase warrants of the purchaser, resulting in a net loss after taxes of $6 million, which is included in, and reported as, discontinued operations net of income taxes for 1996. The four million share purchase warrants were subsequently sold on December 9, 1996 for $7 million with the full proceeds recorded as a gain.

Cash dividends of $14 million were paid in 1998 compared with cash dividends of $11 million paid on common shares in 1997 and $61 million paid on common and preferred shares in 1996. The higher dividends in 1996 were mostly attributable to a special cash dividend of C$1.00 per common share.

Preferred securities charges of $6 million, net of current taxes of $4 million, were paid on COPrS in 1998.

Investing

The following table summarizes the capital expenditures of the Corporation for the years ended December 31, 1996, 1997 and 1998:

	1998	1997	1996
North American Wholesale	$ 85	$ 78	$119
North American Retail	20	26	25
International	65	28	8
Corporate and Other	4	12	1
	$174	$144	$153

Major capital expenditures in 1998 included $30 million for the development of the Corporation's Kapuskasing phosphate mine, to be completed in mid-year 1999, and $54 million for construction of the Profertil nitrogen facility, to be completed mid-year 2000. In December 1998, the Corporation and YPF S.A. ("YPF") each increased their holdings in Profertil from 33% to 50%, with Perez Companc S.A. no longer a shareholder in the project.

During 1996, the Corporation repurchased or redeemed all of the 290,344 outstanding preferred shares of Nu-West for $47 million.

LIQUIDITY AND CAPITAL RESOURCES

Capital Resources

At December 31, 1998, the Corporation's working capital amounted to $369 million, including cash and short-term investments of $113 million. Lines of credit available under term and operating facilities aggregated $195 million.

Effective February 1, 1998, the Corporation amended its unsecured four-year term loan to decrease the amount available thereunder from $193 million to $100 million. Additional lines of credit include a C$35 million or $25 million demand operating loan facility. The Corporation also has a C$150 million (or an equivalent amount in US dollars) commercial paper borrowing facility. The paper is rated investment-grade by the two Canadian rating agencies. Dominion Bond Rating Service Limited has assigned a rating of R-1(low) and Canadian Bond Rating Service has assigned a rating of A-1. The Corporation's intention is to reduce its borrowed amount authorized under Canadian bank lines by any amount drawn under this program. All facilities were unutilized at December 31, 1998.

In October 1995, a group of US banks agreed to provide Agrium US Inc. with an unsecured revolving credit facility with a termination date of October 5, 2000. The facility consists of a base revolving credit of up to $70 million and an excess revolving credit of up to $30 million for the period beginning on May 1 and ending on November 30 of each year during the term of the agreement. Agrium US Inc. may borrow at interest rates related to US prime rates or the London interbank offered rates. This facility was unutilized at December 31, 1998.

Under the terms of these arrangements, the Corporation is required to maintain various financial ratios and other covenants.

In February 1999, Profertil completed a bridge financing of up to $285 million to finance the construction of a $600-million urea and ammonia production facility. The sponsors, Agrium Inc. and YPF, will provide several guarantees for 50% each of the amounts outstanding under the bridge facility. The Corporation's 50% share of bank indebtedness in the Profertil nitrogen joint venture project was $28 million at December 31, 1998.

Capital Requirements

Requirements for working capital are subject to substantial seasonal fluctuations. Typically, sales volumes are highest in the spring, with a secondary peak in the fall. Product inventories increase in the late fall, winter and summer periods. Accounts receivable are highest in late spring and early summer. Management considers debt facilities adequate to fund these seasonal fluctuations.

Planned capital expenditures for 1999 are approximately $340 million, of which $256 million relates to investment projects and $84 million to sustaining existing operations. The Corporation's 1999 share of capital expenditures for the Profertil nitrogen joint venture project are expected to be $200 million. Other major expenditures for 1999 include $21 million for completion of development of the Corporation's phosphate rock deposit located near Kapuskasing, Ontario, and $7 million for modifications to the Redwater, Alberta facility to enable the plant to process the new rock.

There are no scheduled principal repayments on long-term debt in 1999.

Management believes that cash flow will be more than adequate to meet capital expenditure and debt service requirements during the next two years.

The Corporation leases bulk tank and hopper rail cars, and most of its off-site dry storage facilities are under short- to medium-term operating leases. It also contracts third-party pipeline, truck, lake vessel and barge facilities to transport its products. The aggregate annual minimum payments under these operating leases are as follows: 1999 – $26 million; 2000 – $20 million; 2001 – $16 million; 2002 – $14 million; and 2003 – $12 million. The Corporation does not anticipate any material interruption in its current operating leases or in its ability to lease, renew leases or contract for such facilities and services.

The Corporation has declared and paid dividends in each of the periods under review. The declaration and amount of future common share dividends are decided by the Board of Directors and are subject to earnings and financial requirements, covenants in debt financing agreements and other conditions prevailing at the time.

Risks and Uncertainties

The Corporation is subject to the risks and uncertainties inherent in the fertilizer business. Financial results are subject to fluctuations in fertilizer prices, natural gas costs and foreign exchange rates over which the Corporation has limited control. In addition, the Corporation is subject to the normal risks of conducting business in an international environment where changes in government could potentially lead to amendments to fiscal terms.

The approximate net after-tax earnings sensitivity to fluctuations in wholesale prices for nitrogen, phosphate and potash, the cost of natural gas, potash production volume and currency exchange rates are shown in the following table based on actual levels of operation in 1998. A change in one factor may compound or offset another. Since the table does not consider these interrelationships, it should not be used to predict results.

Factor	Increase in Factor	Net Earnings Impact *($ Millions)*
Nitrogen		
Price of ammonia	$5.00/tonne	$ 4
Price of urea	$5.00/tonne	$ 6
Price of ammonium sulphate	$5.00/tonne	$ 1
Price of ammonium nitrate	$5.00/tonne	$ 1
Price of urea ammonium nitrate solution	$5.00/tonne	$ –
Cost of natural gas	$0.10/GJ	$(6)
Potash		
Price of potash	$5.00/tonne	$ 5
Production volume	100,000 tonnes/yr	$ 3
Phosphate		
Price of phosphate (MAP and DAP equivalent)	$5.00/tonne	$ 4
Exchange rate		
From C$ to US$	C$0.01	$ 1

The Corporation manages its exposure to fluctuating natural gas prices through the use of derivative instruments and maintains insurance programs to protect against losses through accidental damage to its assets. Management regularly evaluates these programs to ensure an appropriate balance is maintained between underlying business risk and the cost of such programs.

YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The Year 2000 problem is pervasive and complex, as virtually every computer operation may be affected in some way by the rollover of the two-digit year value to 00. Computer systems that do not properly recognize date-sensitive information when the year changes to 2000 could generate erroneous data or cause a system failure.

The Corporation utilizes computer applications in all areas of its business, including finance, administration and operations. The Corporation has a program designed to identify the issues and problems associated with the year 2000 as it affects it and is utilizing both internal and external resources to identify, correct or reprogram and test the systems for these Year 2000 issues and problems. Coordination and reporting of Year 2000 activities is centralized within the Year 2000 Program Management team located at the corporate office under the supervision of the Director, Technology. The Year 2000 Program status is regularly reported to both the senior management team and to the Audit Committee of the Board of Directors.

The Corporation's administrative and financial applications are predominantly commercial software. Computer hardware and operating systems have been purchased from major computer suppliers. A program designed to address Year 2000 issues, as known to the Corporation, related to the software and hardware is being implemented and expected to be completed by the end of the second quarter of 1999. In order to address plant process systems and supporting technology issues, a program is currently in progress and this effort will continue through 1999, with upgrades and replacements being made as necessary. It is anticipated that programs that have been designed to identify, assess, remediate and test the expected impact of the Year 2000 issue on critical processes will be completed by the end of the second quarter of 1999. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. The Corporation's primary operating facilities are dependent upon a steady supply of natural gas, electrical power and other raw materials. There can be no guarantee that the systems of other companies, on which the Corporation's business relies, will be converted on a timely basis or that failure to convert by another company, or a conversion that is incompatible with the Corporation's systems, would not have a materially adverse effect on the Corporation and its operations.

The Corporation is developing contingency plans designed to mitigate the possible effects to operating systems resulting from loss of, or unexpected problems resulting from, non-compliant systems within the Corporation's control, and the loss of major suppliers. The plans are designed to address procedures to allow operations to be put in a safe, environmentally sound condition, and measures to maintain or restore the systems to full operation. These plans are anticipated to be in effect by the end of the second quarter of 1999.

Costs of $1 million incurred to date for Year 2000 compliance have been expensed. Projected costs of approximately $2 million have been included in the Corporation's 1999 budget and are not expected to have a material effect on the Corporation's financial results.

ENVIRONMENTAL MANAGEMENT

The Corporation believes that responsible environmental management includes managing environmental, health and safety ("EH&S") risks, minimizing EH&S impacts, promoting product stewardship, communicating risks, ensuring performance, and designing and operating the Corporation's facilities responsibly. The Corporation's operations are affected by federal, state, provincial and local EH&S laws throughout the United States and Canada. Expenditures relating to full compliance with these laws are considered to be part of the normal course of business; EH&S management is therefore integrated into the value chain and corporate strategies. Key environmental issues that are being managed to ensure the Corporation is not unduly affected include legislation that targets trace metal content in fertilizers, restoration and reclamation of operating sites, public access to environmental data provided in accordance with regulations, and the impact of international accords on climate change. The Corporation does not expect its expenditures for compliance to have a material adverse effect on its operations or financial condition.

OUTLOOK

Wholesale

Revenues and cash flow from Wholesale operations are difficult to predict in the current pricing environment. After a marginal increase in nitrogen prices in the spring of 1998, urea and ammonia prices declined steadily from May to the end of the year. While it is the Corporation's view that nitrogen prices are at the bottom of the cycle, only a modest price recovery is anticipated in 1999. The magnitude of any increase in world nitrogen prices will depend largely on when China re-enters the urea market, as well as production decisions within the former Soviet Union countries ("FSU") and other regions of the world. The long-term outlook for nitrogen looks positive, with limited increases in international production capacity and a number of planned nitrogen plant closures in countries such as South Africa, Kuwait, South Korea and Japan. There is also potential for closure of some FSU plants over time as they deteriorate. Despite low crop prices, higher fertilizer inventories than last year and the Asian economic problems, prices for phosphate and potash, in particular, are expected to remain strong because of firm world demand for these products and a continuation of relatively low global grain inventories.

The Corporation's 1999 production levels are expected to be largely unchanged, as no new capacity expansion is planned for the coming year and the Corporation anticipates selling all it can produce in the next fertilizer season. Market prices for gas are expected to increase in 1999; however, the Corporation's average cost increase will be mitigated due to approximately 50% of the Corporation's 1999 gas requirements being hedged at prices favourable to the future strip. Approximately 85% of the Corporation's nitrogen production is located in Alberta, Canada, where the price of natural gas continues to be lower than that of US-based competitors.

The development of the Kapuskasing phosphate rock mine is on schedule for commissioning by mid-year 1999. The full benefit of the savings from the Rasmussen Ridge mine, which was purchased in 1997, will be realized at the Conda phosphate operations in 1999. These new sources of rock will lower the Corporation's phosphate costs, making it even more competitive in the North American phosphate market.

Retail

The Corporation anticipates modest Retail expansion in the United States with the acquisition of new retail outlets exceeding closure of non-performing ones. Retail margins have historically been fairly consistent year-over-year, and are not expected to change significantly in 1999.

International

As of December 1998, the Corporation and YPF increased their holdings from 33% to 50% in Profertil S.A., which is constructing the world's largest single-train urea plant. Both companies have identified the Southern Cone of South America as a key area for long-term strategic growth. This opportunity to increase their stake in Profertil is consistent with plans to participate more fully in the growing fertilizer market of South America. The Corporation intends to consolidate its retail position in Argentina through modest growth in its existing retail outlets and will continue to investigate other international opportunities.

CORPORATE AND OTHER

Certain statements in this discussion and analysis constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. A number of factors could cause actual results to differ materially from those in the forward-looking statements including, but not limited to, fluctuations in the supply and demand of fertilizer, changes in gas costs, changes in capital markets, unexpected agricultural or environmental conditions and government policy changes.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The consolidated financial statements and all information contained in this annual report are the responsibility of management and the Board of Directors of the Corporation. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgements based on currently available information. The Corporation has established an internal audit program and accounting and reporting systems supported by internal controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. The financial information presented throughout this annual report is consistent with the financial statements.

KPMG, an independent firm of chartered accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of their examination and expresses their opinion, is presented herein.

The Audit Committee of the Board of Directors, whose members are not employees of the Corporation, meets with management, the internal auditors and the independent auditors to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.

J.M. Van Brunt
President and
Chief Executive Officer

G.A. Milne
Vice President, Finance and
Chief Financial Officer

Calgary, Canada
March 2, 1999

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Agrium Inc. as at December 31, 1998 and 1997 and the consolidated statements of operations, cash flows and changes in shareholders' equity for each of the years in the three year period ended December 31, 1998. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and 1997 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 1998 in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Calgary, Canada
February 28, 1999

(Millions of dollars)	*As at December 31* 1998	1997
ASSETS		
Current Assets		
Cash and short-term investments	$ 113	$ 9
Accounts receivable (Note 7)	337	363
Income and other taxes recoverable	–	40
Inventories (Note 8)	277	248
Prepaid expenses	22	27
	749	687
Capital assets (Note 9)	951	878
Other assets (Note 10)	66	86
Goodwill	55	60
	$1,821	$1,711
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (Note 11)	$ 28	$ 69
Accounts payable and accrued liabilities (Note 12)	293	279
Income taxes payable	59	–
Current portion of long-term debt (Note 13)	–	1
	380	349
Long-term debt (Note 13)	482	483
Other liabilities (Note 14)	48	56
Future income taxes (Note 19)	188	192
	1,098	1,080
Shareholders' Equity		
Preferred securities (Note 15)	171	–
Common shares (Note 16)	359	389
Retained earnings	243	258
Cumulative translation adjustment	(50)	(16)
	723	631
	$1,821	$1,711

serec 49 C$ = 263.7162

serec 50 = 6.1688

Commitments (Note 17)

See accompanying notes.

APPROVED BY THE BOARD:

– 175

548

× 1.5422

845.1236

Director Director

USBV

= UBV com

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years ended December 31		
(Millions of dollars)	**1998**	1997	1996
Net sales	**$1,805**	$1,938	$1,904
Cost of product	**1,219**	1,244	1,194
Gross profit	**586**	694	710
Expenses			
Selling	**205**	204	193
General and administrative	**45**	44	49
Depreciation and amortization	**92**	85	81
Royalties, interest income and other	**12**	2	(2)
Interest on long-term debt	**35**	34	53
Other interest	**5**	12	5
	394	381	379
Earnings from continuing operations before undernoted items and income taxes	**192**	313	331
Debt retirement and other amalgamation costs	**–**	–	84
Earnings from continuing operations before income taxes	**192**	313	247
Income taxes (Note 19)	**71**	128	87
Earnings from continuing operations	**121**	185	160
Discontinued operations, net of income taxes (Note 6)	**–**	–	9
Net earnings	**$ 121**	$ 185	$ 151
Earnings per common share (Note 20)			
Basic earnings per common share *(in dollars)*			
From continuing operations	**$ 0.96**	$ 1.43	$ 1.16
Net earnings	**$ 0.96**	$ 1.43	$ 1.09
Fully diluted earnings per common share *(in dollars)*			
From continuing operations	**$ 0.94**	$ 1.40	$ 1.13
Net earnings	**$ 0.94**	$ 1.40	$ 1.07

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of dollars)	**1998**	1997	1996
	Years ended December 31		
Operating			
Earnings from continuing operations	**$121**	$185	$160
Depreciation and amortization	**92**	85	81
Future income taxes (recoveries)	**(5)**	129	(12)
Cash provided by continuing operations before changes in non-cash working capital	**208**	399	229
Net change in non-cash working capital (Note 21)	**116**	(110)	(40)
Cash provided by continuing operations	**324**	289	189
Cash provided by discontinued operations	**–**	–	18
Cash provided by operating activities	**324**	289	207
Investing			
Capital assets	**(174)**	(144)	(153)
Proceeds from disposal of assets and investments	**5**	–	13
Acquisition of subsidiaries	**–**	–	(47)
Disposal of oil and gas interests	**–**	–	60
Cash paid on distributions to shareholders of discontinued operations (Note 6)	**–**	–	(137)
Other	**(9)**	(36)	(13)
Cash used in investing activities	**(178)**	(180)	(277)
Financing			
Common shares	**(147)**	(209)	3
Preferred securities	**169**	–	–
Bank indebtedness	**(41)**	(230)	239
Issue of long-term debt	**–**	301	–
Repayment of long-term debt	**(3)**	(4)	(405)
Dividends paid	**(14)**	(11)	(61)
Preferred securities charges paid	**(6)**	–	–
Cash used in financing activities	**(42)**	(153)	(224)
Increase (decrease) in cash and short-term investments	**104**	(44)	(294)
Cash and short-term investments – beginning of year	**9**	53	347
Cash and short-term investments – end of year	**$113**	$ 9	$ 53

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Millions of dollars and millions of shares)

	Capital						Cumulative	
	Preferred		Common		Contributed	Retained	Translation	
	Shares/Securities	Amount	Shares	Amount	Surplus	Earnings	Adjustment	Total
1996								
Balance as at January 1, 1996	1	$ 31	134	$ 569	$ 51	$196	$ 17	$864
Repurchased for cash	–	–	(1)	(3)	–	(10)	–	(13)
Issued on exercise of stock options	–	–	3	15	–	–	–	15
Issued on employee incentive plans	–	–	–	5	–	–	–	5
Conversion of preferred shares to common shares	(1)	(31)	4	31	–	–	–	–
Share issue costs	–	–	–	(3)	–	–	–	(3)
Distribution to shareholders of discontinued operations (Note 6)	–	–	–	(183)	–	(65)	–	(248)
Net earnings	–	–	–	–	–	151	–	151
Dividends declared	–	–	–	–	–	(62)	–	(62)
Business combination costs (Note 5)	–	–	–	–	–	(6)	–	(6)
Translation adjustment	–	–	–	–	–	–	(2)	(2)
Balance as at December 31, 1996	–	–	140	431	51	204	15	701
1997								
Repurchased for cash	–	–	(15)	(46)	(51)	(116)	–	(213)
Issued on exercise of stock options	–	–	1	4	–	–	–	4
Net earnings	–	–	–	–	–	185	–	185
Dividends declared	–	–	–	–	–	(15)	–	(15)
Translation adjustment	–	–	–	–	–	–	(31)	(31)
Balance as at December 31, 1997	–	–	126	389	–	258	(16)	631
1998								
Issued for cash – Canadian Originated Preferred Securities ("COPrS")	**7**	**175**	**–**	**–**	**–**	**–**	**–**	**175**
COPrS issue costs	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**
Repurchased for cash	**–**	**–**	**(12)**	**(35)**	**–**	**(117)**	**–**	**(152)**
Issued on exercise of stock options	**–**	**–**	**1**	**5**	**–**	**–**	**–**	**5**
Net earnings	**–**	**–**	**–**	**–**	**–**	**121**	**–**	**121**
Common share dividends declared	**–**	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Preferred securities charges	**–**	**–**	**–**	**–**	**–**	**(6)**	**–**	**(6)**
Translation adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(34)**	**(34)**
Balance as at December 31, 1998	**7**	**$171**	**115**	**$359**	**$ –**	**$243**	**$(50)**	**$723**

See accompanying notes.

Amounts are stated in millions of dollars unless otherwise indicated

1. DESCRIPTION OF THE BUSINESS

Agrium Inc. (the "Corporation") is an integrated fertilizer company. The Corporation's assets include six nitrogen production facilities in Alberta, Texas and Nebraska and one nitrogen facility currently under construction in Argentina; two phosphate production facilities in Alberta and Idaho, one phosphate rock mine in Idaho and one phosphate mine currently under development in Ontario; one potash mine and mill in Saskatchewan and the related North American wholesale distribution and storage system. The Corporation also owns a retail business of crop production inputs in the United States and Argentina. The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's accounting policies are in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and except as outlined in Note 25 are in accordance with accounting principles generally accepted in the United States ("US GAAP"). When necessary, the financial statements include amounts based on informed estimates and best judgements of management. Certain comparative figures have been reclassified to conform with the current year's presentation.

Foreign Currency

The US dollar is the unit of measurement for the majority of the Corporation's business transactions. Accordingly, the US dollar is the Corporation's reporting currency. The Corporation's non-United States operations are considered self-sustaining and are translated into US dollars using the current rate method. Under this method, assets and liabilities are translated at year-end exchange rates and items included in the statements of operations are translated at weighted average rates. The resulting translation gains and losses are deferred as a separate component of shareholders' equity until there is a realized reduction in the net investment.

Consolidation

The accounts of all subsidiary companies are consolidated from the dates of acquisition. All significant intercompany balances and transactions have been eliminated. Investments in joint ventures are accounted for using the proportionate consolidation method. Under this method the Corporation's proportionate share of joint venture revenues, expenses, assets and liabilities is included in the accounts.

Cash and Short-Term Investments

Short-term investments with an original maturity of three months or less are considered to be cash equivalents and are stated at their fair value.

Inventories

Inventories, consisting of fertilizer and chemicals, are recorded at the lower of average cost and net realizable value. Operating supplies are recorded at average cost less allowances for obsolescence. Raw material inventory is comprised of phosphate rock at cost.

Capital Assets

Capital assets are carried at cost and include the cost of renewals and betterments. Interest during construction is capitalized when it arises on indebtedness directly incurred to finance a specific asset. Maintenance and repair expenditures are expensed as incurred. When assets are sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in earnings.

Depreciation is calculated on the straight-line method using rates based on the estimated service lives of the respective assets, ranging from three to 25 years. Depreciation is not provided on major additions until commencement of commercial operation.

Goodwill

Goodwill represents the excess of purchase price over fair value of the net assets of acquired businesses, and is amortized on a straight-line basis over 20 years. On an ongoing basis, management reviews the valuation and amortization of goodwill, taking into consideration any events and circumstances which might have impaired the fair value. Goodwill is written down to fair value when declines in value are considered to be other than temporary, based upon expected cash flows of the related acquired business.

Pension Costs

Defined benefit pension plans are funded by the Corporation and pension expense and obligations are determined using the projected benefit method of actuarial valuation prorated over the projected length of employee service. Pension surpluses and deficiencies, experience gains or losses and the effects of changes in plan assumptions are amortized on a straight-line basis over the expected average remaining service life of the relevant employee group.

Contributions by the Corporation to defined contribution pension plans are expensed as incurred.

Post-Retirement Benefits

Post-retirement benefit costs are expensed as incurred.

Site Restoration and Reclamation

The operations of the Corporation are affected by environmental regulations, including those for future removal and site restoration costs. The Corporation's policy is to meet or exceed standards set by relevant legislation or industry practice.

The Corporation capitalizes environmental-related expenditures that increase the life or efficiency of a property or that reduce or prevent environmental contamination. When remediation costs are likely and reasonably estimable, the Corporation records provisions for such costs in a systematic manner over the estimated life of the underlying assets.

In determining the amount of provision, the Corporation uses the most current information available and considers factors such as prior experience, existing technology, regulations in effect and the timing of the remediation.

Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in earnings in the period that includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

3. CHANGE IN ACCOUNTING POLICY

The Corporation changed its policy for accounting for income taxes in the fourth quarter of 1998 and has adopted the provisions of Section 3465 (the liability method) of the Handbook of the Canadian Institute of Chartered Accountants effective January 1, 1998. The provisions have been applied without restatement of prior-period financial statements. Prior to January 1, 1998, the Corporation and its subsidiaries used the deferral method of accounting for income taxes.

At January 1, 1998, capital assets increased by $17 million and the future income tax liability increased by $17 million arising from adjustments of previous acquisitions. There was no impact on retained earnings.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risk Management Program

The Corporation is subject to the risks and uncertainties inherent in the fertilizer business. Financial results are subject to fluctuations in fertilizer prices, foreign exchange rates and natural gas supply prices over which it has limited control. In addition, the Corporation is subject to normal credit risks as well as the risks of conducting business in an international environment where changes in government could potentially lead to amendments to fiscal policies.

The Corporation monitors and, when appropriate, utilizes financial instruments to manage its exposure to certain of these risks as described below. Market risk related to these financial instruments should be substantially offset by changes in the valuation of the underlying items being hedged.

Foreign Exchange Rate Fluctuations

The Corporation is exposed to foreign exchange fluctuations on its Canadian dollar cash flow. In order to manage this exposure, the Corporation periodically enters into forward and option contracts. The contracts are designated as hedges of fixed obligations and hedges of net foreign currency positions. At December 31, 1998 and 1997, the Corporation had no forward exchange contracts or currency options outstanding.

Natural Gas Supply Prices

The market price of natural gas, as with other commodities, is volatile. The Corporation manages prices for its natural gas requirements through the use of index-priced contracts with suppliers (Note 17). As part of this process, the Corporation has entered into natural gas derivative contracts, under which it receives or makes payments based on the difference between a fixed and basis price and the current market price for natural gas.

Gains and losses on these natural gas contracts are recognized as a component of cost of product when the underlying natural gas being hedged is used. At December 31, 1998, the Corporation had contracts with financial institutions and brokers to exchange payments on approximately 84 million MMBtu (1997 – 70 million MMBtu) of natural gas, which represents approximately 41% of its expected 1999 natural gas needs, approximately 27% of its expected 2000 natural gas needs, 8% of its expected 2001 natural gas needs and 3% of its expected 2002 natural gas needs.

The carrying values and fair values of the Corporation's natural gas derivative contracts as at December 31, 1998 were nil and $9 million (1997 – nil and $(4) million). The Corporation had no similar agreements at December 31, 1996. The fair value represents the approximate amount the Corporation would pay or receive to terminate the contracts at December 31, 1998 and 1997 based on the prevailing forward prices.

Financial Instruments

The fair value of long-term debt, including the current portion, at December 31, 1998 was $466 million (1997 – $505 million). The fair value of preferred securities at December 31, 1998 was $175 million (1997 – nil). This estimate is based on the quoted market price of these or similar issues or by discounting expected cash flows at the rates currently offered to the Corporation for debt and securities of the same remaining maturities.

The fair value of each class of other financial instruments, including cash and short-term investments, accounts receivable, accounts payable, advances and loans, and bank indebtedness, approximates their carrying values.

Credit Risk

The Corporation is subject to credit risk through trade receivables and short-term investments. Although a substantial portion of its debtors' ability to pay is dependent upon the agribusiness economic sector, credit risk with respect to trade receivables is reduced by a large customer base and its geographic dispersion.

Short-term cash investments are placed with well-capitalized financial institutions and in short-duration corporate and government debt securities. By policy, the Corporation limits the amount of credit exposure in any one type of investment instrument.

5. BUSINESS COMBINATIONS

On December 10, 1996, Agrium Inc. issued 72,842,670 of its common shares to the shareholders of Viridian Inc. ("Viridian"), a company that manufactured fertilizers at nitrogen and phosphate plants in Alberta, in exchange for all the issued and outstanding shares of Viridian, at a rate of 0.975 Agrium Inc. common shares for each Viridian share.

At December 31, 1996, the former shareholders of Agrium Inc. held 48.1% and the former shareholders of Viridian Inc. held 51.9% of the 140,377,207 outstanding common shares of the combined company. On December 10, 1996, the closing market price of Agrium Inc. common shares was $14.00 per share.

The nature of the business combination was such that neither of the companies could be identified as the acquirer for accounting purposes and the business combination was therefore accounted for using the pooling of interests method of accounting. Under this method, the consolidated financial statements reflect the combined historical carrying values of the assets, liabilities and shareholders' equity, and the combined historical operating results of the companies for each of the periods presented. The reporting periods and the accounting policies of the two companies have been conformed in the consolidated financial statements.

A summary of the book values of the assets and liabilities at the date of the combination is as follows:

	Agrium Inc.	Viridian Inc.
Assets		
Current assets	$596	$446
Capital assets	456	365
Other assets	149	15
Less		
Current liabilities	481	114
Long-term debt	176	406
Other liabilities	50	32
Future income taxes	33	34
Net assets	$461	$240

The operating results of Agrium Inc. and Viridian Inc. for the year ended December 31, 1996 were as follows:

	Agrium Inc.	Viridian Inc.
Net sales	$1,226	$678
Gross profit	440	270
Earnings from continuing operations	83	78
Net earnings	83	68

Costs of $10 million ($6 million net of tax), consisting primarily of professional and advisory fees, were incurred to effect the business combination and were charged to retained earnings in 1996. Additional restructuring costs of $20 million ($12 million net of tax), comprised primarily of severance and relocation expenses, were charged against earnings in 1996.

6. DISCONTINUED OPERATIONS

On June 26, 1996, the Corporation transferred cash, its advanced industrial materials business and related research and development activities and other industrial businesses to a new wholly-owned subsidiary. The book value of net assets of the subsidiary were subsequently distributed to the Corporation's shareholders for $248 million, including cash of $137 million. Fair value was estimated to be in excess of book value.

During May 1996, the Corporation completed the sale of its Canadian oil and gas business effective January 1, 1996 for $60 million in cash and four million share purchase warrants of the purchaser, resulting in a net loss after taxes of $6 million which is included in, and reported as, discontinued operations net of income taxes for 1996. The four million share purchase warrants were subsequently sold on December 9, 1996 for $7 million with the full proceeds recorded as a gain.

In 1996, discontinued operations had net sales of $63 million, earnings before income taxes of $13 million and net earnings of $9 million.

7. ACCOUNTS RECEIVABLE

	1998	1997
Trade accounts		
North American Wholesale	**$157**	$201
North American Retail	**114**	113
Other	**39**	26
Rebates and other non-trade accounts	**34**	31
	344	371
Less allowance for doubtful accounts	**7**	8
	$337	$363

8. INVENTORIES

	1998	1997
Fertilizers and chemicals		
North American Wholesale	$ 90	$ 83
North American Retail	97	92
Other	26	7
Operating supplies		
North American Wholesale	45	44
Raw materials		
North American Wholesale	19	22
	$277	$248

9. CAPITAL ASSETS

	1998			1997		
	Cost	Accumulated Depreciation and Amortization	Net Book Value	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 26	$ –	$ 26	$ 27	$ –	$ 27
Buildings and improvements	211	82	129	151	73	78
Machinery and equipment	1,246	594	652	1,236	546	690
Resource property	31	10	21	38	6	32
Construction in progress	123	–	123	51	–	51
	$1,637	$686	$951	$1,503	$625	$878

During the year, the Corporation capitalized interest of $1 million (1997 – nil) on construction in progress.

10. OTHER ASSETS

	1998	1997
Investment in retail dealerships	$ 7	$ 9
Receivable under environmental indemnity agreements (Note 14)	18	21
Advances and loans	8	10
Other	33	46
	$66	$86

11. BANK INDEBTEDNESS

Agrium Inc.

Effective February 1, 1998, the Corporation amended its unsecured four-year term loan facility to decrease the amount available thereunder from $193 million to $100 million. Interest rates on this term loan facility are at either the London interbank offered rate ("LIBOR") or a base rate established by the bank plus variable spreads, at the election of the Corporation. This facility was unutilized at December 31, 1998 (1997 – $47 million). Additional lines of credit include a C$35 million or $25 million demand operating loan facility. Interest rates on this demand operating loan facility are based on the prevailing bankers' acceptance rates plus a spread, or at commercial rates plus a commission. This facility was unutilized at December 31, 1998 and 1997. The Corporation also has a commercial paper borrowing facility of C$150 million, or its equivalent in US dollars. The paper is rated investment-grade by the two Canadian rating agencies and bears interest at prevailing market rates. This facility was unutilized at December 31, 1998 (1997 – $7 million). The loan agreements require the Corporation to maintain certain financial ratios and other covenants.

Agrium US Inc.

In October 1995, a group of US banks agreed to provide Agrium US Inc. with an unsecured revolving credit facility with a termination date of October 5, 2000. The facility, which was amended in September 1998, guaranteed by the Corporation, consists of a base revolving credit of up to $70 million and an excess revolving credit of up to $30 million for the period beginning on May 1 and ending on November 30 of each year during the term of the agreement. Agrium US Inc. may borrow at interest rates related to US prime rates or LIBOR. The revolving credit facility requires the Corporation to maintain certain financial ratios and other covenants. This facility was unutilized at December 31, 1998 (1997 – $15 million).

Profertil S.A.

In February 1999, Profertil completed a bridge financing of up to $285 million to finance the construction of a $600-million urea and ammonia production facility. The sponsors, Agrium Inc. and YPF S.A., will each provide several guarantees for 50% of amounts outstanding under the bridge facility.

The Corporation's 50% share of bank indebtedness in the Profertil nitrogen joint venture project (Note 22) was $28 million at December 31, 1998.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1998	1997
Trade accounts payable and accrued liabilities	$224	$226
Payroll and related taxes	35	33
Accrued interest payable	10	10
Dividends payable	6	7
Other amounts payable	18	3
	$293	$279

13. LONG-TERM DEBT

	1998	1997
Unsecured senior notes[a]	$175	$175
Unsecured notes and debentures[b]	300	300
Other	7	9
	482	484
Principal repayments due within one year	–	1
	$482	$483

(a) The unsecured senior notes were issued in two tranches: $75 million at a coupon rate of 6.86% maturing December 29, 2007 with five equal annual principal repayments beginning December 29, 2003, and $100 million at a coupon rate of 7.06% maturing December 29, 2010 with seven equal annual principal repayments beginning December 29, 2004. These notes require the Corporation to maintain certain financial ratios and other covenants.

(b) On January 28, 1997, the Corporation completed a long-term unsecured financing comprised of $75 million 7.0% notes due 2004, $100 million 7.7% debentures due 2017, and $125 million 7.8% debentures due 2027. These notes and debentures require the Corporation to maintain certain covenants.

14. OTHER LIABILITIES

At December 31, 1998, the accumulated provision for estimated site restoration and reclamation costs in Other liabilities included $26 million (1997 – $28 million) for its Canadian and US wholesale facilities and $18 million (1997 – $21 million) for its retail facilities. The Corporation has environmental indemnity agreements with substantially all of the prior owners of the retail facilities. At December 31, 1998, the amounts receivable under the environmental indemnity agreements, as recorded in Other assets (Note 10), totalled $18 million (1997 – $21 million).

The Corporation's operations are affected by federal, provincial, state and local laws and regulations regarding environmental protection. The outcome or timing of the full impact, if any, of legislative or regulatory developments on future operations is not currently estimable.

15. PREFERRED SECURITIES

In April 1998, the Corporation issued $175 million 8% unsecured Canadian Originated Preferred Securities ("COPrS") due June 30, 2047, accruing charges from the date of issuance and payable quarterly commencing June 30, 1998. The Corporation also has the ability to defer the charges for up to 20 consecutive periods, subject to certain restrictions. The COPrS are redeemable at the option of the Corporation, in whole or in part, on or after April 22, 2003 at the principal amount plus accrued and unpaid charges (the "Redemption Price") to the date of redemption. The Corporation may, at its option, pay the Redemption Price or any quarterly charges in cash or by delivering common shares to a trustee for subsequent sale, in which event the holder of the COPrS shall be entitled to receive a cash payment equal to the Redemption Price or any quarterly charges from proceeds of the sale of the common shares on behalf of the holder. Holders of the COPrS will not be entitled to receive any common shares in satisfaction of the obligation to pay the Redemption Price.

The principal amount of the COPrS, net of after-tax issue costs of $4 million, is classified as preferred securities in Shareholders' Equity. Preferred securities charges are recorded, after current tax (1998 – $4 million), against retained earnings.

16. COMMON SHARES

Authorized

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

Stock Option Plan

The stock option plan authorizes the Board of Directors to grant options to directors, officers and employees of the Corporation. Options to be issued under the plan must have exercise prices not less than, and be for terms not longer than, those permitted by the applicable rules of any stock exchange on which the common shares are listed. At December 31, 1998, options outstanding were exercisable at prices ranging from C$1.92 to C$22.15 per share, representing a weighted average exercise price of C$17.65, and have expiry dates ranging from December 4, 2002 to December 31, 2008. Stock option transactions for the respective years were as follows:

(In millions)	**1998**	1997
Outstanding, beginning of year	**5**	6
Granted	**1**	–
Exercised	**(1)**	(1)
Outstanding, end of year	**5**	5

Shareholder Rights Plan

In May 1998, the Corporation's shareholders approved a shareholder rights plan in which one right was issued for each outstanding common share. The rights remain attached to the shares and are not exercisable until the occurrence of certain designated events. The shareholder rights plan expires in May 2001.

17. COMMITMENTS

At December 31, 1998, the aggregate annual minimum payments under operating leases in each of the next five years were: 1999 – $26 million; 2000 – $20 million; 2001 – $16 million; 2002 – $14 million; and 2003 – $12 million.

The Corporation has commitments for the purchase of natural gas, phosphate rock, sulphuric acid and other purchases for the next five years through agreements with its suppliers. The annual payments under these agreements in each of the next five years are: 1999 – $176 million; 2000 – $135 million; 2001 – $110 million; 2002 – $112 million; and 2003 – $68 million.

At December 31, 1998, the Corporation had outstanding commitments aggregating $21 million for the development of the Kapuskasing phosphate mine. The Corporation's share of commitments for completion of the Profertil nitrogen joint venture project (Note 22) for the next two years are: 1999 – $200 million; 2000 – $70 million.

18. PENSION OBLIGATIONS AND POST-RETIREMENT BENEFITS

The Corporation maintains defined benefit and defined contribution pension plans which are both contributory and non-contributory with regard to participants. The majority of salaried and hourly employees are members of the defined contribution pension plan. Benefits from defined benefit plans are based on either years of service and compensation or a rated amount for each year of service. The pension costs are determined annually by independent actuaries and include current service costs and a provision for the amortization of prior service costs. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is charged to earnings over the remaining service lives of the employees.

The Corporation has supplemental funded defined benefit and defined contribution retirement income plans for senior management which are non-contributory and provide a supplementary pension benefit. The plans are provided for by annual charges to earnings sufficient to meet the projected benefit obligations.

Defined Benefit Plans

The Corporation's 1998 net pension expense for defined benefit plans in Canada and the United States was $1 million and $2 million respectively (1997 – $1 million and $1 million; 1996 – $1 million and $1 million).

The actuarial present value of accumulated pension benefits, substantially all of which are vested, amounted to $38 million in Canada and $29 million in the United States at December 31, 1998 (1997 – $37 million and $23 million). At December 31, 1998, the pension plan assets in Canada and the United States amounted to $41 million and $29 million respectively (1997 – $41 million and $23 million).

The 1998 rate of return on pension plan assets was estimated to be 8% per annum in Canada and 9% per annum in the United States (1997 – 8% and 9%).

In determining the actuarial present value of projected pension benefit obligations, the discount rates used were 8% per annum in Canada and 7% per annum in the United States (1997 – 8% and 7%). The rate of increase in future compensation levels ranged from 4% to 5% (1997 – 4% to 5%).

Defined Contribution Plans

The defined contribution pension expense associated with the Canadian and United States plans in 1998 was $2 million and $4 million respectively (1997 – $5 million and $4 million; 1996 – $5 million and $4 million).

Other Post-Retirement Plans

The Corporation provides certain health care and life insurance benefits for retired employees. These plans are either contributory or non-contributory and contain certain cost-sharing features such as deductibles and co-insurance. These plans are unfunded and benefits are subject to change.

19. INCOME TAXES

As described in Note 3, the Corporation changed its method of accounting for income taxes at January 1, 1998.

The significant components of non-current future income tax assets and liabilities at December 31 are as follows:

	1998	1997
Debt retirement and other financing	$ 14	$ 21
Site restoration and reclamation	11	13
Loss carryforwards expiring through 2005	8	6
Other	7	9
Future income tax assets before valuation allowance	40	49
Valuation allowance	(5)	(6)
Future income tax assets, net of valuation allowance	35	43
Depreciation and amortization	159	135
Deferred income	57	91
Other	7	9
Future income tax liabilities	223	235
Net future income tax liabilities	$188	$192

The major factors which caused variations from the expected combined Canadian federal and provincial statutory income tax rate of 45% (1997 – 45%; 1996 – 45%) were the following:

	1998	1997	1996
Earnings before income tax:			
Canadian	$120	$229	$168
Foreign	72	84	79
	$192	$313	$247
Statutory rate	45%	45%	45%
Income tax at statutory rates	87	142	111
Large Corporation Tax	–	2	–
Differences in foreign tax rates	(10)	(7)	(7)
Tax deductions less than (in excess of) book deductions	–	1	(6)
Manufacturing and processing allowance	(5)	(14)	(11)
Other	(1)	4	–
Income tax provision	$ 71	$128	$ 87
Current:			
Canadian	$ 57	$(24)	$ 83
Foreign	19	23	16
	76	(1)	99
Future:			
Canadian	(12)	114	(28)
Foreign	7	15	16
	(5)	129	(12)
	$ 71	$128	$ 87

20. EARNINGS PER COMMON SHARE

Basic and fully diluted earnings per common share are calculated based on the weighted average number of common shares outstanding during the year of 120 million and 125 million (1997 – 129 million and 134 million; 1996 – 138 million and 143 million). Supplementary fully diluted earnings per common share of $0.89 per share in 1998 (as required under EIC 71 issued by the Canadian Institute of Chartered Accountants) is calculated based on the weighted average number of common shares outstanding during the year of 138 million. The calculation assumes that the principal amount of COPrS was settled through the issuance of common shares at market price on December 31, 1998.

The rate of imputed interest used to calculate fully diluted earnings per share is the average rate of interest earned by the Corporation on its investments of 5% (1997 – 5%; 1996 – 5%).

21. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash working capital excluding working capital acquired (Note 5) is as follows:

	1998	1997	1996
Decrease (increase) in current assets			
Accounts receivable	$ 26	$ (54)	$ 72
Income and other taxes recoverable	40	(30)	(53)
Inventories	(29)	(2)	(24)
Prepaid expenses	5	6	(4)
Increase (decrease) in current liabilities			
Accounts payable and accrued liabilities	15	(30)	(31)
Income taxes payable	59	–	–
Net change in non-cash working capital	$116	$(110)	$(40)

Interest of $40 million, $40 million and $53 million was paid during 1998, 1997 and 1996, respectively. Income taxes paid (received) during 1998, 1997 and 1996 were $(18) million, $44 million and $186 million, respectively.

22. JOINT VENTURE OPERATIONS

The Corporation has a 50% interest in the Profertil nitrogen joint venture project which is accounted for using the proportionate consolidation method.

A summary of the Corporation's proportionate interest in the joint venture at December 31, 1998 is as follows:

	1998
Balance Sheet	
Cash and short-term investments	$ 2
Capital assets	54
Other assets	6
	$62
Bank indebtedness (Note 11)	$28
Accounts payable and accrued liabilities	34
	$62
Statement of Cash Flows	
Operating activities	$34
Investing activities	(60)
Financing activities	28
Increase in cash and short-term investments	$ 2

23. SEGMENTED INFORMATION

The Corporation's primary activity is the production and wholesale marketing of nitrogen, potash, phosphate, sulphate and other fertilizer products and the retail sales of fertilizers, chemicals and other agricultural inputs and services. The Corporation operates principally in Canada and the United States. International and other business segments are not of sufficient size to warrant separate presentation herein.

Net sales between geographic regions are accounted for at prices which approximate fair market value and are eliminated on consolidation.

Segmented Net Sales, Expenses and Assets

		Wholesale	Retail	Other	Eliminations	Total
1998	**Net sales**	**$ 990**	**$821**	**$ 54**	**$(60)**	**$1,805**
	Cost of product	**654**	**585**	**40**	**(60)**	**1,219**
	Gross profit	**336**	**236**	**14**	**–**	**586**
	Expenses:					
	Selling	**21**	**172**	**12**	**–**	**205**
	General and administrative	**19**	**6**	**20**	**–**	**45**
	Depreciation and amortization	**54**	**23**	**15**	**–**	**92**
	Royalties, interest income and other	**8**	**(1)**	**8**	**(3)**	**12**
		102	**200**	**55**	**(3)**	**354**
	Earnings before interest expense and income taxes	**$ 234**	**$ 36**	**$(41)**	**$ 3**	**$ 232**
	Total assets	**$1,304**	**$369**	**$151**	**$ (3)**	**$1,821**
	Capital expenditures	**$ 85**	**$ 20**	**$ 69**	**$ –**	**$ 174**
1997	Net sales	$ 1,121	$ 830	$ 39	$(52)	$ 1,938
	Cost of product	666	600	31	(53)	1,244
	Gross profit	455	230	8	1	694
	Expenses:					
	Selling	29	163	12	–	204
	General and administrative	17	8	19	–	44
	Depreciation and amortization	54	23	8	–	85
	Royalties, interest income and other	(4)	1	(6)	11	2
		96	195	33	11	335
	Earnings before interest expense and income taxes	$ 359	$ 35	$ (25)	$(10)	$ 359
	Total assets	$ 1,263	$ 342	$ 111	$ (5)	$ 1,711
	Capital expenditures	$ 78	$ 26	$ 40	$ –	$ 144
1996	Net sales	$ 1,173	$ 781	$ 20	$(70)	$ 1,904
	Cost of product	667	566	31	(70)	1,194
	Gross profit	506	215	(11)	–	710
	Expenses:					
	Selling	31	153	9	–	193
	General and administrative	24	8	17	–	49
	Depreciation and amortization	58	22	1	–	81
	Royalties, interest income and other	8	1	(27)	16	(2)
		121	184	–	16	321
	Earnings before interest expense and income taxes	$ 385	$ 31	$ (11)	$(16)	$ 389
	Total assets	$ 1,060	$ 426	$ 156	$ (1)	$ 1,641
	Capital expenditures	$ 119	$ 25	$ 9	$ –	$ 153

Net Sales and Gross Profit by Business Unit and Product Line

	1998			1997			1996		
	Net Sales	**Cost of Product**	**Gross Profit**	Net Sales	Cost of Product	Gross Profit	Net Sales	Cost of Product	Gross Profit
Wholesale									
Nitrogen	**$ 501**	**$ 330**	**$171**	$ 633	$ 337	$296	$ 692	$ 327	$365
Potash	**160**	**88**	**72**	140	87	53	112	80	32
Phosphate	**262**	**187**	**75**	279	195	84	280	192	88
Sulphate and other products	**67**	**49**	**18**	69	47	22	89	68	21
	990	**654**	**336**	1,121	666	455	1,173	667	506
Retail									
Fertilizers	**377**	**277**	**100**	410	306	104	380	281	99
Chemicals	**361**	**308**	**53**	351	295	56	337	283	54
Other products	**83**	**–**	**83**	69	(1)	70	64	2	62
	821	**585**	**236**	830	600	230	781	566	215
Other	**54**	**40**	**14**	39	31	8	20	31	(11)
Eliminations	**(60)**	**(60)**	**–**	(52)	(53)	1	(70)	(70)	–
Total	**$1,805**	**$1,219**	**$586**	$1,938	$1,244	$694	$1,904	$1,194	$710

Net Sales by Market Destination and Assets by Country

	1998			1997			1996		
	Net Sales	**Capital Assets**	**Goodwill**	Net Sales	Capital Assets	Goodwill	Net Sales	Capital Assets	Goodwill
Canada	**$ 487**	**$521**	**$ –**	$ 507	$522	$ 2	$ 580	$524	$ 1
United States	**1,230**	**334**	**55**	1,325	320	58	1,239	287	61
Argentina	**51**	**96**	**–**	36	36	–	19	11	–
Other	**37**	**–**	**–**	70	–	–	66	–	–
	$1,805	**$951**	**$55**	$1,938	$878	$60	$1,904	$822	$62

24. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

25. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Corporation's consolidated financial statements are prepared in accordance with Canadian GAAP. These principles differ in certain respects from those applicable under US GAAP. The approximate impact of these differences on the Corporation's financial statements is summarized below:

Consolidated Statements of Operations

	1998	1997	1996
Earnings from continuing operations – Canadian GAAP	$ 121	$ 185	$ 160
Adjustments net of tax:			
Post-retirement benefits[a] 12	(2)	(3)	(1)
Capitalized interest costs[b] 78	1	–	1
Debt retirement and merger costs[c][d]	–	–	33
Other	–	(1)	(2)
Preferred securities charges[e] 50	(6)	–	–
Earnings from continuing operations – US GAAP	$ 114	$ 181	$ 191
Discontinued operations (net of tax) – Canadian GAAP	$ –	$ –	$ (9)
Ceiling test adjustment to oil and gas properties[f]	–	–	14
Discontinued operations (net of tax) – US GAAP	$ –	$ –	$ 5
Earnings before extraordinary item – US GAAP	$ 114	$ 181	$ 196
Extraordinary item – debt retirement costs	–	–	(39)
Net earnings – US GAAP	$ 114	$ 181	$ 157
Other comprehensive income:			
Translation adjustments (net of tax) not in 96 or 97's $ 83	(20)	(18)	(1)
Comprehensive income – US GAAP[h] annuals	$ 94	$ 163	$ 156
Basic earnings per common share – US GAAP *(in dollars)*			
Continuing operations	$0.95	$ 1.40	$ 1.38
Earnings before extraordinary item	$0.95	$ 1.40	$ 1.42
Net earnings	$0.95	$ 1.40	$ 1.14

Consolidated Statements of Cash Flow

	1998	1997	1996
Operating – Canadian GAAP	$ 324	$ 289	$ 207
Post-retirement benefits[a]	(2)	(3)	(1)
Capitalized interest costs[b]	1	–	1
Preferred securities charges paid[e]	(6)	–	–
Operating – US GAAP	$ 317	$ 286	$ 207
Investing – Canadian GAAP	$(178)	$ (180)	$ (277)
Capital assets[b]	(1)	–	(1)
Other[a][e]	(4)	3	1
Investing – US GAAP	$(183)	$ (177)	$ (277)
Financing – Canadian GAAP	$ (42)	$ (153)	$ (224)
Preferred securities[e]	(169)	–	–
Issue of long-term debt[e]	175	–	–
Preferred securities charges paid[e]	6	–	–
Financing – US GAAP	$ (30)	$ (153)	$ (224)
Cash and short-term investments – end of year – Canadian and US GAAP	$ 113	$ 9	$ 53

Consolidated Balance Sheets

As discussed in (e) below, a significant difference between Canadian and US GAAP on balance sheet items relates to preferred securities, which are not considered equity instruments for US GAAP due to the redemption feature. Under US GAAP, long-term debt would increase and shareholders' equity would decrease by $175 million at December 31, 1998 (1997 – nil). The remaining balance sheet items under US GAAP are not materially different from balances under Canadian GAAP.

(a) Post-retirement benefits, as required by Statement of Financial Accounting Standards ("SFAS") No. 106, are accrued under US GAAP similar to pension benefits but are expensed as incurred under Canadian GAAP.

(b) Under US GAAP, a portion of interest costs incurred must be capitalized as part of the cost of unproved properties and major development projects. There is no such requirement under Canadian GAAP.

(c) Under Canadian GAAP, expenses incurred to refinance long-term debt prior to maturity are accounted for as regular operating expenses. Under US GAAP, these amounts are considered to be extraordinary items.

(d) Under Canadian GAAP, expenses incurred to effect a business combination accounted for as a pooling of interest are reflected as a capital transaction and charged to retained earnings. Under US GAAP, these amounts are charged to earnings.

(e) As disclosed in Note 15, the Corporation has included the preferred securities, net of issue costs, as part of shareholders' equity in accordance with Canadian GAAP. Under US GAAP, the preferred securities would be classified as long-term debt and accordingly, the annual carrying charges would be recognized as an expense.

(f) Under the full cost method of accounting, according to Canadian GAAP, the net carrying cost of oil and gas properties in producing cost centres is limited to an estimated recoverable amount, which is the aggregate of future net revenues from proved reserves plus the costs of undeveloped properties, net of certain costs (the "Canadian ceiling test"). Under US GAAP, as defined by the Securities and Exchange Commission, costs accumulated in each cost centre are limited to an amount equal to the present value, discounted at 10%, of the estimated future net operating revenues from proved reserves plus the lower of cost or estimated fair value of unproved properties (the "US ceiling test").

In 1996, substantially all oil and gas properties were sold.

(g) SFAS No. 123, Accounting for Stock-based Compensation, establishes financial accounting and reporting standards for stock-based employee compensation plans as well as transactions in which an entity issues its equity instruments to acquire goods or services from non-employees. As permitted by the Statement, the Corporation has elected to continue to follow the intrinsic value method of accounting for stock-based compensation arrangements, as provided for in Accounting Principles Board Opinion 25. Since all options were granted with exercise prices equal to the market price at the date of grant, no compensation cost has been charged to operations.

(h) SFAS No. 130 requires the reporting of comprehensive income in addition to net earnings. Comprehensive income includes net income plus other comprehensive income; specifically, all changes in equity of a company during a period arising from transactions and other events from non-owner sources.

(i) In June 1998, SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued. This statement will be effective for the Corporation's year ending December 31, 2000. The Corporation is unable to assess the impact of this standard at the present time.

26. QUARTERLY FINANCIAL RESULTS (unaudited)

The following quarterly information includes all adjustments (consisting solely of normal recurring adjustments) necessary for fair presentation:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1998					
Net sales	**$ 295**	**$ 732**	**$ 389**	**$ 389**	**$1,805**
Gross profit	**100**	**239**	**127**	**120**	**586**
Earnings before tax	**8**	**127**	**31**	**26**	**192**
Net earnings	**5**	**77**	**20**	**19**	**121**
Basic earnings per common share *(in dollars)*	**$0.04**	**$0.61**	**$0.15**	**$0.15**	**$ 0.96**
Average outstanding shares *(in millions)*	**126**	**123**	**117**	**115**	**120**
Fully diluted earnings per common share *(in dollars)*	**$0.04**	**$0.59**	**$0.15**	**$0.14**	**$ 0.94**
Average outstanding shares *(in millions)*	**131**	**128**	**122**	**120**	**125**
1997					
Net sales	$ 290	$ 810	$ 400	$ 438	$ 1,938
Gross profit	113	296	128	157	694
Earnings before tax	31	192	30	60	313
Net earnings	19	114	16	36	185
Basic earnings per common share *(in dollars)*	$ 0.14	$ 0.90	$ 0.13	$ 0.29	$ 1.43
Average outstanding shares *(in millions)*	134	127	127	127	129
Fully diluted earnings per common share *(in dollars)*	$ 0.14	$ 0.87	$ 0.13	$ 0.28	$ 1.40
Average outstanding shares *(in millions)*	139	132	132	131	134
1996					
Net sales	$ 315	$ 762	$ 427	$ 400	$ 1,904
Gross profit	125	301	131	153	710
Earnings (loss) from continuing operations before tax	40	200	36	(29)	247
Earnings (loss) from continuing operations	24	124	23	(11)	160
Net earnings (loss)	27	112	23	(11)	151
Basic earnings (loss) per common share *(in dollars)*					
Continuing operations	$ 0.18	$ 0.90	$ 0.17	$(0.07)	$ 1.16
Total	$ 0.20	$ 0.81	$ 0.17	$(0.07)	$ 1.09
Average outstanding shares *(in millions)*	136	138	138	139	138
Fully diluted earnings (loss) per common share *(in dollars)*					
Continuing operations	$ 0.17	$ 0.87	$ 0.16	$(0.07)	$ 1.13
Total	$ 0.19	$ 0.78	$ 0.16	$(0.07)	$ 1.07
Average outstanding shares *(in millions)*	143	143	143	144	143

Officers of the Company

Frank W. Proto
Chairman of the Board of Directors

John M. Van Brunt
President and Chief Executive Officer

Dorothy E.A. Bower
Vice President, General Counsel and Corporate Secretary

Larry A. Collins
Vice President, Strategic Development

Patrick J. Freeman
Treasurer and International Controller

Richard L. Gearheard
Vice President, North American Retail

Ian C. Hornby-Smith
Controller and Chief Information Officer

Dennis P. Kalma
Vice President, New Products

Michael J. Klein
Vice President, Human Resources and Administration

Gordon A. Milne
Vice President, Finance and Chief Financial Officer

Robert J. Rennie
Vice President, International

William J. Robertson
Executive Vice President and Chief Operating Officer

Principal Offices

Corporate and North American Wholesale Head Office

13131 Lake Fraser Drive S.E.
Calgary, Alberta, Canada T2J 7E8
Telephone (403) 225-7000
Fax (403) 225-7609

North American Retail Head Office

Suite 1400, 4582 South Ulster Street
Denver, Colorado, United States 80237
Telephone (303) 804-4400
Fax (303) 804-4482

North American Wholesale Sales Office

Northern Region

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Telephone (403) 225-7472
Fax (403) 225-7618
Bob D. Urquhart, Regional Manager

Central Region

Suite 1400, 4582 South Ulster Street
Denver, Colorado, United States 80237
Telephone (303) 804-4400
Fax (303) 804-4473
Ben W. Zimmerman, Regional Manager

Western Region

601 West Riverside Avenue (Zip 99201)
P.O. Box 2540
Spokane, Washington, United States 99220-2540
Telephone (509) 838-4600
Fax (509) 459-4404
Dan R. Peeno, Regional Manager

Principal Subsidiaries and Associated Companies

	Country of Operation	*Ownership*
Agrium Partnership	Canada	100%
Agrium US Inc.	United States	100%
Agrium Nitrogen Company	United States	100%
Nu-West Industries, Inc.	United States	100%
Crop Production Services, Inc.	United States	100%
Western Farm Service, Inc.	United States	100%
Agroservicios Pampeanos	Argentina	100%
Agrium Argentina S.A.	Argentina	100%
Profertil S.A.	Argentina	50%
Canpotex Limited	International	33⅓ %
Viridian Inc.	Canada	100%
Viridian Fertilizers Ltd.	Canada	100%

Share Capital
Agrium Inc. is incorporated under the *Canada Business Corporations Act* and is authorized to issue an unlimited number of common and preferred shares issuable in series.

Annual Meeting
The Annual Meeting of the shareholders of Agrium Inc. will be held at 11:00 a.m. (EST) on Wednesday, May 5, 1999 in the Glenn Gould Studio Auditorium of the Canadian Broadcasting Centre, 250 Front Street West, Toronto, Ontario. Shareholders of record on March 25, 1999 are urged to attend and participate in the business of the meeting.

Stock Exchanges and Trading Symbols
Common shares are listed on the Toronto and New York Stock Exchange under AGU.

COPrS are listed on the New York Stock Exchange under AGU Pr.

Agrium Inc. Dividends
A cash dividend of 5.5 cents per common share was paid on January 7, 1999 to shareholders of record on December 18, 1998. A cash dividend of 5.5 cents per common share was paid on July 3, 1998 to shareholders of record on June 18, 1998.

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Transfer Agent – Common Shares
The CIBC Mellon Trust Company
Suite 600, 333 7th Avenue S.W.
Calgary, Alberta, Canada T2P 2Z1
Fax (403) 264-2100
E-Mail: inquiries@cibcmellon.ca
Website: www.cibcmellon.ca
Answer Line for Shareholder Information: 1-800-387-0825

Trustee – Unsecured notes and debentures
Chase Manhattan Trust Company
NA Global Trust Services
450 West 33rd Street
New York, NY 10001

Trustee – COPrS
IBJ Whitehall Bank & Trust Company
One State Street
New York, NY 10004

Agrium Inc. 1998 Price Range and Trading Volumes – Common Shares

Quarter Ended	*Stock Exchange*	*High*	*Low*	*Close*	*Volume* (millions of shares)
March 31	Toronto (C$)	$ 20.45	$ 16.15	$ 20.25	24.8
	NYSE (US$)	14.50	11.19	14.13	14.8
June 30	Toronto (C$)	22.75	17.00	18.35	34.2
	NYSE (US$)	15.75	11.50	12.63	21.3
September 30	Toronto (C$)	19.15	12.50	13.00	13.6
	NYSE (US$)	13.06	7.88	8.50	8.03
December 31	Toronto (C$)	17.25	12.55	13.50	10.7
	NYSE (US$)	11.13	8.06	8.69	8.6

Design: Lexington Principal Photography: V. Tony Hauser Typesetting and Film: Moveable Type Printing: Bowne of Toronto

USEFUL CONSTANTS AND CONVERSION FACTORS

PRODUCT ANALYSIS

	% N	% P_2O_5	% K_2O
Ammonia, anhydrous	82.24	0	0
Ammonia, aqueous	20.5–28	0	0
Ammonium nitrate	33–34.5	0	0
Ammonium sulphate	20.5–21	0	0
Urea	46	0	0
Urea feed grade	42	0	0
Monoammonium phosphate	11	51–52	0
Diammonium phosphate	18	46	0
Nitric acid (100%)	22.2	0	0
Nitric acid (60%)	13	0	0
Dicalcium phosphate			
– anhydrous	0	52.2	0
– dihydrate	0	41.3	0
Triple superphosphate	0	44–48	0
Ground phosphate rock	0	36.5	0
Phosphoric acid (100%)	0	74.2	0
Phosphoric acid merchant grade	0	54	0
Superphosphoric acid	0	70–85	0
Potassium chloride	0	0	50–63.2
Potassium chloride (Cdn common)	0	0	61.5

To convert	*to*	*multiply by*
Million Btu	GJ	1.055
GJ	Million Btu	0.948
Acres	Hectares	0.4048
Hectares	Acres	2.471
Kilograms/hectare	Pounds/acre	0.892
Kilometres	Miles, statute	0.6214
Litres	Gallons, Imperial	0.22
Litres	Gallons, US	0.264
Pounds/acre	Kilograms/hectare	1.121
Tons, long	Tons, short	1.120
Tonnes, metric	Pounds	2,204.6
Tonnes, metric	Tons, short	1.102
Tons, short	Pounds	2,000
Tons, short	Tonnes	0.90719

RAW MATERIAL REQUIREMENTS

Ammonia
The production of one tonne of ammonia requires:
34 MMBtu natural gas – on average

Nitric Acid
The production of one tonne of 100% HNO_3 requires:
0.29 tonne ammonia

Ammonium Nitrate (34% N)
The production of one tonne of 34% N ammonium nitrate requires:
0.21 tonne ammonia
0.78 tonne 100% HNO_3

Urea
The production of one tonne of urea requires:
0.58 tonne ammonia
0.76 tonne carbon dioxide

Ammonium Sulphate
The production of one tonne of ammonium sulphate requires:
0.26 tonne ammonia
0.74 tonne sulphuric acid

Phosphoric Acid (wet process)
The production of one tonne of P_2O_5 as H_3PO_4 (30% or 54% P_2O_5) requires:
3.3 tonnes phosphate rock 70% BPL
2.8 tonnes 100% H_2SO_4

Superphosphate
The production of one tonne of 20% P_2O_5 single superphosphate requires:
0.64 tonne phosphate rock 70% BPL (32% P_2O_5)
0.37 tonne 100% H_2SO_4

Monoammonium Phosphate
The production of one tonne of monoammonium phosphate (11:53:0) requires:
0.15 tonne ammonia
1.35 tonnes phosphoric acid (40% P_2O_5)(0.54 tonne P_2O_5)

Diammonium Phosphate
The production of one tonne of diammonium phosphate (18:46:0) requires:
0.23 tonne ammonia
1.175 tonnes phosphoric acid (40% P_2O_5)(0.470 tonne P_2O_5)

Agrium